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POLICY RESEARCH NOTES: Published by the Economic Research Service, USDA, and the Illinois Agricultural Experiment Station for professionals in Public Agricultural and Food Policy Research, Teaching, Extension, and Policymaking.

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INTRODUCTION

For the first time in the history of the GATT negotiations, agricultural trade is center stage with the discussion focused on government intervention in agriculture. Budget pressures and less than desirable circumstances in the agricultural economies of many countries have brought us to the negotiating table. Perspectives on the underlying values and proposed goals for agricultural policy vary by country as do the policies themselves. With the hope of gaining an increased appreciation for these varying perspectives, the commentaries in this issue of Policy Research Notes are by authors who represent a divergent sampling of countries.

The authors represent a rich experience of policy work in government and university service. Through their unique views of the policy process, the authors remind us that we need to understand the historic, political, social, and economic nuances of a country to fully comprehend what is happening at the negotiations.

Petit and Tangermann look at the geographic and historic differences in agriculture in the United States and Europe to explain differences in ideology and the resulting policies. Duren and Martin discuss the agricultural policy implications of the strong political influences of the individual Provincial governments of Canada. Xu writes of the historic dialogue within the planned economy of the People's Republic of China that revolves around the acceptable balance between government planning and a more market oriented supply response. Finally, de las Carreras documents the possible interest of Argentina in moving, along with other members of the Cairnes Group, toward support of the elimination of agricultural subsidies.

The views expressed in the articles published in Policy Research Notes are strictly those of the author(s) alone and do not represent necessarily the official positions of the United States Department of Agriculture or the governments of any other country.

Note: Tom Fulton, former co-editor, receives our appreciation for planning the country perspectives found in this issue. Tom has since moved from ERS to become top agricultural advisor to Senator David K. Karnes of Nebraska.

Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. Notes are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and Thomas H. Lederer, U.S. Agricultural Policy Branch, ATAD, ERS, 1301 New York Avenue, NW., Washington, DC 20005-4788.

ANNOUNCEMENTS

1988 NPPEC Conference Scheduled

The 38th Annual National Public Policy Education Conference has been scheduled for September 11-15, 1988 at the Clarion Hotel, Cincinnati, Ohio.

For further information or input into the program development, contact J. Lavaughn Johnson, NPPEC Committee and Program Chair, 24 Extension Hall, Auburn University, AL 36849.

Future Policy Workshops Planned by North Central Group

At its September 1987 meeting in Minneapolis, the North Central Policy Research Committee (NCR-151) continued planning for two future agricultural and food policy workshops. Also, at this meeting, a one day workshop was held on "U.S. Policy Issues Related to Food Consumption and Demand", under the planning supervision of Jean Kinsey, University of Minnesota.

The first future workshop is titled, Sharpening Our Understanding of Food and Agricultural Policies in Industrialized Countries, and will feature policy workers from selected foreign countries, e.g., EEC, Japan, Brazil, and Canada. It has been approved by the AAEA Board as a pre-conference workshop in connection with the 1988 AAEA Summer Meetings at Knoxville, Tennessee. It will be jointly held with another workshop sponsored by the AAEA Modelling Committee on the theme, Large-Scale Models and Economic Policy Analysis. The program is coordinated so policy workers may attend most of both workshops from Friday to Sunday prior to the Summer Meetings. Primary objectives of this effort are: 1) develop a conceptual framework that facilitates cross-country comparisons of food and agricultural policy goals in other industrialized countries; 2) enrich our understanding of the perspectives and rationale for food and agricultural policies in other countries; 3) strengthen the international network for professional interaction in the public policy arena that includes researchers, educators, and extension specialists; and 4) explore opportunities for improved coordination of national food and agricultural policies among industrialized nations.

Inquire about this workshop from Marshall C. Martin (program chair), Agricultural Economics, Krannert Building, Purdue University, West Lafayette, IN 47907.

The second future workshop will focus on, Capacity and Adjustment Problems in American Agriculture, scheduled for Fall, 1988. Its objectives are: 1) review the current capacity of the agricultural plant and prospective demand; 2) review the methodology for estimating "surplus capacity"; 3) study the adjustment problems and prospects in various regions of the country; and 4) examine how policy impacts agriculture's capacity and what those policy options are affecting resource adjustments.

Future Policy Workshops Planned by North Central Group (cont.)

Inquire about this workshop from Milton C. Hallberg (program chair), 101 Weaver Building, Pennsylvania State University, University Park, PA 16802.

Inquire about additional information about this regional effort from R. G. F. Spitze (chair, NCR-151), 305 Mumford Hall, 1301 W. Gregory Drive, University of Illinois, Urbana, IL 61801.

National Public Policy Committee Forms Policy Subcommittees

The National Public Policy Education Committee formed two ad hoc subcommittees focused on future policy educational efforts at its September meeting in Maine. First, the Subcommittee on Producer Views will explore the possibility of a nationwide survey of producer views prior to the next major agricultural legislation. In cooperation with North Central Policy Research Committee (NCR-151), the subcommittee will develop a proposal on the research/extension survey of farmer opinions prior to the next Agricultural Food Policy development and report back to the committee at its meeting next year. Chairman-Harold Guither, IL; Members-Mark Edelman, IA; Ed Bradley, WY; Larry Sanders, OK; and David Lee, NY.

Inquire about the work of this subcommittee from the chair, Harold Guither, 303 Mumford Hall, University of Illinois, 1301 W. Gregory Dr., Urbana, IL 61801.

Second, the Subcommittee on Needed Educational Materials or Programming Leading up to 1989-90 Bill will explore development of any needed educational materials or programming leading up to the approaching Agricultural Food Policy decisions. Chairman-Ron Knutson, TX; Members-Hal Harris, SC; Harry Ayer, AZ; Barry Flinchbaugh, KS; and Earl Brown, MD.

Inquire about the work of this subcommittee from the chair, Ron Knutson, 303 Agriculture Bldg., Texas A & M University, College Station, TX 77843.

Joint Effort Issues Papers on U.S. and Canadian Agricultural Trade

Under the sponsorship of the National Public Policy Education Committee, eight papers were prepared on various aspects of free trade between the United States and Canada. Papers include an overview, policies of the two countries, trade-offs in lifting trade barriers, implications for grains and oilseeds, livestock and poultry trade, trade in dairy products, fruits and vegetables, and cotton, peanuts, sugar, tobacco, and wine. Economic Research Service, Extension Service-USDA, Farm Foundation, and 19 authors from land-grant universities and USDA contributed to the project.

Inquire about this national project and request a copy of the publication Agricultural Trade Between the United States and Canada from Harold D. Guither, 305 Mumford Hall, 1301 W. Gregory Drive, University of Illinois, Urbana, IL 61801.

Rural Great Plains of the Future Theme of Symposium

The Great Plains Agricultural Council sponsored this Symposium, November 3-5, 1987, Denver, Colorado. Topics with particular focus on the Great Plains included: The Agricultural Sector Entering the 21st Century; Forces for Change in the Agricultural Sector; Rural Community Challenges of the Future; Institutional Roles; and Choices for the Future. Cosponsors included USDA ERS and ES, Farm Foundation, North Central Regional Center for Rural Development; and Southern Rural Development Center.

Inquire about this effort and availability of papers or proceedings from Norm Landgren, Executive Director, Great Plains Agricultural Council, 109 Agricultural Hall, University of Nebraska, Lincoln, NE 68583-0778.

Committee to Issue Commodity Leaflets

NEC-63 is in the process of developing six highly interdependent Extension pamphlets on Generic Promotion of Agricultural Commodities. Subject matter of the proposed pamphlets is as follows:

1. Generic Agricultural Commodity Advertising, Promotion and Research. It would set a perspective on promotion and research as a marketing management strategy, discuss economic rationale, highlight the evolution of generic programs, and discuss the general purposes served.
2. Structure and Extent of Generic Promotion Programs. This pamphlet will discuss enabling legislative authority, including FAS cooperator programs, marketing orders, state legislation, federal legislation, state departments of agriculture, and cooperatives. Tables will present related data.
3. Basic Economics of Generic Agricultural Commodity Programs. It will identify what the programs are designed to accomplish, the impact on other factors affecting demand, and the supply response in relationship to generic promotion.
4. Program Management and Evaluation. This pamphlet will discuss establishing objectives, strategic planning to meet the objectives, program monitoring, and data needs and issues.
5. International Promotion Programs. It will discuss types of programs available, outline funding levels, how the money is spent, geographic targeting and will discuss attempts to analyze the impacts of such programs.
6. Promotion Programs and Public Policy Issues. This pamphlet will discuss distribution of costs and benefits, cross-commodity effects, the role of the public sector, generic vs. branded advertising, and oversight responsibilities.

Inquire about these educational materials (availability date, December 31, 1987) from Walter J. Armbruster, Farm Foundation, 1211 West 22nd Street, Suite 216, Oak Brook, Illinois 60521-2197.

National Center Continues Policy Leadership Development Program

The National Center for Food and Agricultural Policy at Resources for the Future is continuing its program of Leadership Development in the policy field. It has again announced that up to twenty-five individuals will be selected for 1988 to take part in a month long series of workshops, briefings, and seminars on various policy matters related to food and agriculture. Although the application deadline has just passed for this cycle (October 30, 1987), interested policy workers might well look to possible future opportunities.

Inquire about this program and prospects for future opportunities from the Leadership Development Program, National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036.

WHAT: SYMPOSIUM ON MULTIPLE JOB-HOLDING AMONG FARM FAMILIES IN NORTH AMERICA

WHEN: May 16-17 in Washington, D.C.

OBJECTIVES: The conference is designed 1) to review the current importance of and motivations for multiple job-holding among farm families in North America, to examine recent trends in the phenomenon, and to identify the place of multiple job-holding in the modern agricultural industry; 2) to review major theoretical contributions designed to suggest hypotheses about the economic behavior of multiple job-holding farm families and to identify significant limitations of this theory; 3) to review major findings of recent surveys on multiple job-holding in agriculture; 4) to examine important labor market factors impacting multiple job-holding farm families, and 5) to identify the public policy issues of importance in this area.

The conference is intended to provide information useful to researchers, extension personnel, and students interested in the area, and to those agricultural leaders and politicians involved in the development of policy for rural America. Participation by individuals from each of these groups will be sought.

SPONSORS: The Rural Development Center and Farm Foundation

For more details inquire from: M. C. Hallberg, Penn State University
Dan Lass, University of Massachusetts

POLICY RESEARCH NEWS NOTES

One Lump or Two: Current Issues and Challenges Facing Sugar in the U.K.

Sugar has become a growing area of policy controversy. The problem for the consumer can be split into three: sugar and health, sugar consumption, and sugar production. This research reviews each of these in turn and finally examines further pressures on sugar consumption from consumer attitudes, the power of retailers, popular education, food manufacturers' responses, the growth in alternative sweeteners and the sugar industry itself.

Inquire about this publication and order a copy (cost of 20.00 Sterling) from Michael Heasman, Food Policy Research, University of Bradford, Bradford, West Yorkshire, BD7 1DP.

Agricultural Constituencies in Developed Countries

Emphasis in this analysis is on the urgency for action in order that the agricultural sector in economically advanced societies might maintain public support. In many jurisdictions large adjustments are already being made to accommodate changing circumstances. The near-universality of rapid technology and communications is having an impact on agricultural services which cannot be ignored.

Inquire about this study and a related paper, "Changing Agricultural Constituencies in the United States and Other Advanced Agricultural Societies", presented at Balatonze, Hungary to the European Economists Society, from Jimmy S. Hillman, Department of Agricultural Economics, University of Arizona, Tuscon, Arizona 85721.

Ten-Year International Agricultural Outlook

The international agricultural outlook is evaluated in this research by using a large-scale econometric model of the U.S. and international agricultural economies. It analyzes this situation in terms of the macroeconomic and policy environments, commodity markets, trade, acreage, stocks, costs, and net farm income.

Inquire about this study and request a copy of a related publication, Ten-Year International Agricultural Outlook, FAPRI 4-87, July 1987, from F. Joseph Trujillo, 132 Mumford Hall, University of Missouri-Columbia, Columbia, MO 65211.

Grains Reserve Publication Release by North Central Committee

The North Central Regional Policy publication, The Farmer-Owned Reserve After Eight Years: A Summary of Research Findings and Implications, edited by William H. Meyers of Iowa State University, is now being published as a joint regional and down state bulletin. The research effort proceeded under the auspices of NCR-151, and its predecessors, as a part of the North Central Research Committee. The seven chapters authored by policy researchers in several cooperating states and ERS focuses on: 1) Aggregate response in reserve quantities to price and program provisions; 2) Displacement of privately held stocks; 3) Implications for feed-livestock sector; 4) Evaluation of reserve program, 5) Farmer's response; 6) Historical description of the reserve program; and 7) Executive summary.

Inquire about this effort and the availability of copies from W. H. Meyers, Department of Economics, 578 E. Heady Hall, Iowa State University, Ames, IA, 50011.

Policy Implications of Alternative Agriculture Methods

The present and possible future role of alternative farming methods (also called low-input, regenerative, or sustainable) in commercial-scale farming in the U.S. has been assessed by an interdisciplinary team sponsored by the National Academy of Sciences Board on Agriculture. One of the nineteen chapters is on the economics of alternative methods (IPM, biological control, rotation, legumes, etc.).

Inquire about this effort from Patrick Madden, Department of Agricultural Economics and Rural Sociology, Pennsylvania State University, University Park, PA, 16802, and request information about the publication (will be a charge) The Role of Alternative Farming Methods in Modern Production Agriculture, January 1988, from the National Academy Press, 2101 Constitution Ave. NW, Washington, D.C. 20418.

Research Symposium on Research Opportunities in Beef Export Markets

This symposium focused on research needs related to trade between the United States and Pacific Rim countries. Topics addressed include economic policy competition, consumer preferences, trade regulations, packaging, transportation, and product development. It was sponsored by W-177 Regional Beef Research Project and the Farm Foundation.

Inquire about this study and request a copy of a related paper, "Research Opportunities in Beef Export Markets: United States and Pacific Rim Countries", June, 1987 from Merle D. Farminow, Department of Agricultural Economics, University of Arizona, Tucson, AZ 85721.

Symposium on Rural Poverty and Public Policy

A two-part symposium has been organized on rural poverty and public policy. The first part deals with the U.S. The second part focuses on Germany, France, Latin America, China (PRC), India, and Malawi.

Inquire about this study from Aruna N. Michie, Political Science, Kedzie Hall, Kansas State University, Manhattan, KS 66506, and request a copy of a related article, "Symposium on Rural Poverty and Public Policy in the United States", in Policy Studies Journal, Vol. 15, No. 2, December, 1986 (charge of \$4.00) from Policy Studies Journal, Editorial Offices, Blake Hall, University of Kansas, Lawrence, KS 66045.

Technology and Agricultural Policy

New technologies of potential global significance and interrelationships among technology, governmental policy, and competitiveness were addressed in the National Research Council Board on Agriculture's Conference in December 1986. It dealt with specific relevant topics as well as an overview which summarized principle findings and challenges for U.S. agriculture.

Inquire about this study from Carla Carlson, Reports Officer and Senior Editor, Board on Agriculture, 2101 Constitution Avenue NW, Washington, D.C., 20418, and request a copy of a related publication, Technology and Agricultural Policy (charge) tentative winter release, from the National Academy Press, 2101 Constitution Ave. NW, Washington, D.C. 20418.

Farm Policy and Technological Change

A symposium sponsored by the University of California Agricultural Issues Center in June 1986 focused on farm policy and technological change. A special emphasis was given to policy issues faced by the dairy, cotton, and rice sectors, and also to impacts of the 1985 Food Security Act.

Order a copy of the proceedings, Impact of Farm Policy and Technological Change on U.S. and California Agriculture (charge of \$10.00 payable to UC Regents), and request a free copy of the Summary Report of the Symposium from Agricultural Issues Center, University of California, Davis, CA 95616.

Policy and Erodible Land Use

A conference was held concerning Alternative Uses of Highly Erodible Agricultural Land on November 17-19, 1987, at the Agricenter International in Memphis, Tennessee. Topics addressed included: the situation on highly erodible lands in the South, using highly erodible land for cultivated crop production, alternative uses of highly erodible land, promoting improved use of highly erodible land, and support for programs promoting better use of highly erodible land.

Policy and Erodible Land Use (cont.)

Inquire about this symposium and the availability of its relevant publications from H. A. Henderson, Tennessee Valley Authority, Agricultural Institute, F 212 NFDC, Muscle Shoals, AL 35660.

Alternative Strategies for Implementing the Food Security Act of 1985

In this analysis, the performance of agriculture under the base management strategy of the Food Security Act of 1985 is compared to alternative management options over the period 1987/88 to 1991/92. The alternative strategies provide approaches for reducing the costs of the FSA85 without significantly altering net farm income. One is an alternative U.S. management strategy, the other requires collaboration with other exporters in cooperative supply adjustment.

Inquire about this research and request a copy of a relevant publication, Managing the Food Security Act of 1985: The Current Strategy and Two Alternatives, FAPRI 3-87, July, 1987, from F. Joseph Trujillo, 132 Mumford Hall, University of Missouri-Columbia, Columbia, MO 65211.

Dynamics of Modern Agricultural Interests

This extensive study of the policy process focuses on the Food Security Act of 1985. The analysis dissects the interplay of interests that help structure food, farm and trade policy. Information was obtained from interviews with representatives of 128 private interests and agricultural policy-makers.

Inquire about this research from William P. Browne, Central Michigan University, Mount Pleasant, MI 48859, and order a related publication Private Interests, Public Policy, and American Agriculture, (cost \$29.95 Hardcover or \$12.95 paperback plus \$1.50 handling) from University Press of Kansas, 329 Carruth, Lawrence, KA 66045.

Policy Options for U.S. Agriculture

In this study, three agricultural policy options-- extension of the marketing program, the Administration proposal, and the Harkin-Gephardt proposal-- are identified and characterized. They are then analyzed in terms of government cost, net farm income, crop exports, planted acreage, the livestock industry, and the consumer sector.

Inquire about this study and request a copy of a relevant publication, Comparative Analysis of Selected Policy Options for U.S. Agriculture, FAPRI 1-87, February 1987, from F. Joseph Trujillo, 132 Mumford Hall, University of Missouri-Columbia, Columbia, MO 65211.

Symposium on Options, Futures, and Agricultural Commodity Programs

The Economic Research Service, the Commodity Futures Trading Commission, and the Farm Foundation cosponsored the above symposium in May in Arlington, Virginia. Topics included: potential benefits, alternative programs and their feasibility, and research results and progress reports. A proceedings publication is planned.

Inquire about this research and its availability in a proceedings publication from Bruce H. Wright, Economic Research Service, U.S. Department of Agriculture, 1301 New York Ave., N.W., Washington, D.C. 20005.

The Commodity Supply Management Program

A large-scale econometric model of the U.S. and international agricultural economies was used in this study to evaluate the potential impact of the Commodities Supply Management Program over the ten-year period 1986 through 1995. Comparisons are made relative to the projected impact of the Food Security Act of 1985.

Inquire about this study and request a copy of a relevant publication, The Commodity Supply Management Program, FAPRI 2-87, February, 1987, from F. Joseph Trujillo, 132 Mumford Hall, University of Missouri-Columbia, Columbia, MO 65211.

Study of Agricultural Education in Secondary Schools

The National Research Council Board on Agriculture recently reviewed needs and opportunities to improve vocational agricultural education programs. Agricultural literacy was examined and recommendations were made on high school curricula relating to agriculture, nutrition, ecology, and conservation.

Inquire about this study from Carla Carlson, Reports Officer and Senior Editor, Board on Agriculture, 2101 Constitution Ave., NW, Washington, D.C. 20418, and request a copy of a related publication, Agricultural Education in Secondary Schools (charge), tentative winter release, from the National Academy Press, 2101 Constitution Ave., NW, Washington, D.C. 20418.

Chemicals in the Human Food Chain: Sources, Concerns, Options, and Policies

A major study is now underway sponsored by the University of California Agricultural Issues Center. The study will be divided into several interdisciplinary groups whose efforts will be coordinated by the Center and will lead to a symposium in the summer of 1988 and to reports published by the Center.

Inquire about this effort from the Agricultural Issues Center, University of California, Davis, CA 95616.

Technological Options to Improve the Nutritional Attributes of Animal Products

Food consumption patterns and the contribution of animal products to the American diet were examined by the National Research Council Board on Agriculture. It encompassed current data on nutritional intake; described preferred nutritional attributes in animal products, recommended opportunities for change in animal products and assessed a range of government policies.

Inquire about this work from Carla Carlson, Reports Officer and Senior Editor, Board on Agriculture, 2101 Constitution Avenue, NW, Washington, D.C. 20418, and request a copy of a related publication, Technological Options to Improve the Nutritional Attributes of Animal Products (charge), anticipated winter release, from the National Academy Press, 2101 Constitution Ave., NW, Washington, D.C. 20418.

Implications of Judicial Rulings on FmHA Procedures

A recent judicial decision has precluded the Farmers Home Administration from employing nonjudicial foreclosure proceedings in some states. Characteristics of FmHA loans and borrowers suggest that a potential "hold-up" problem exists whereby borrowers may cause the value of their mortgaged properties to diminish below the outstanding balance of the loan. Empirical results of a survey show that the preclusion of nonjudicial foreclosure increased FmHA's direct losses from delinquent borrowers.

Inquire about this study from Fred C. White, Department of Agricultural Economics, University of Georgia, Athens, GA 30602, and inquire about a related article, "FmHA's Efforts Against Delinquent Borrowers: Property Interests and Transaction Costs, 1987", Western Journal of Agricultural Economics, from Terence J. Center and Fred C. White, Department of Agricultural Economics, University of Georgia, Athens, GA 30602.

History of U.S. Animal Health Policy

This review coincided with the centennial history of the U.S. Bureau of Animal Industry. Sections dealt with veterinary medicine, animal husbandry, parasitology, meat inspection, and avian influenza.

Inquire about this effort from Vivian Wiser, Agricultural and Rural Economics Division, Economics Research Service, U.S.D.A., 1301 New York Ave., Washington, D.C. 20005, and request a copy of the related publication, edited by Wiser, Mark and Purchase, One Hundred Years of Animal Health, 1884-1984, (may be a charge), from Associates, National Agricultural Library, Beltsville, MD 20735.

NPPEC Proceedings Now Available for 1987

Increasing Understanding of Public Problems and Policies - 1987, proceedings of the 1987 NPPEC held in Maine, September, 1987, are now available. It includes topics concerning: (1) socio-economic trends changing rural America; (2) rural revitalization -- opportunities and policy issues; (3) international monetary flows, trade negotiations, and foreign agricultural development; (4) policy education and the policy process; and (5) role of values, beliefs, and myths in establishing policy.

Request a copy of these proceedings, available in January, 1988, from Farm Foundation, 1211 W. 22nd Street, Suite 216, Oak Brook, IL 60521-2197.

A Sustainable Future Agriculture for the Northeastern U.S.

The Maine Agricultural Experiment Station has just published the proceedings of an international conference on Foundations of a Sustainable Agriculture for the Twenty-First Century, which was held in the Fall of 1986. The proceedings brought together a range of prominent members of the agricultural communities in New England and Eastern Canada interested in diversification for dairy farmers, forages and food grain opportunities, diversification for row crop farms, and small fruit production opportunities.

Inquire about this effort from Mark W. Anderson, University of Maine at Orono, 6 Winslow Hall, Orono, Maine 04469, and request a copy of the proceedings, Sunrise Agriculture (charge of \$5.00 per copy), from Maine Agricultural Experiment Station, 6 Winslow Hall, University of Maine, Orono, Maine 04469.

Alternative Water Policies for New Mexico

This study projects the outcome from a continuation of existing water policy on state income. It further compares this approach with other policies that could yield higher state income.

Inquire about this study and request a copy of a related paper, "Alternative Macro Policies for Addressing Water Allocation Issues Between Agriculture and Urban/Industrial Uses: The Case of New Mexico", from Tom Clevenger, Box 3169, New Mexico State University, Las Cruces, NM 88003.

Financial and Personal Stress of Washington Wheat Farmers

A survey of Washington wheat farmers was made in this investigation. It shows high levels of stress associated with the current financial situation. Farmers view their own personal situation more optimistically than they do the rest of agriculture. One out of four had no debt and 29 percent had debt/asset ratios above .4.

Financial and Personal Stress of Washington Wheat Farmers (cont.)

Inquire about this investigation and request a copy of a related paper, "Washington Farm Financial Stress", from James C. Barron, Cooperative Extension, Washington State University, 203 Hulbert Hall, Pullman, WA 99164-6230.

Meaning of a World Market for California Specialty Crops

In June 1987, a symposium based on a 1986-87 interdisciplinary study was sponsored by the University of California Agricultural Issues Center. The study covered six topics related to expanding markets for California fruits and vegetables: demand, new product development, the delivery system, food quality and safety, competitiveness, and trade barriers.

Order a copy of the proceedings, Marketing California Specialty Crops: Worldwide Competition and Constraints (charge of \$25.00 payable to UC regents) and inquire about the reports of the study groups soon to be available free from the Agricultural Issues Center, University of California, Davis, CA 95616.

INTERVENTION IN AGRICULTURE:
A VIEW FROM EUROPEAN POLICY WORKERS

Michel Petit and Stefan Tangermann 1/

The title of this paper clearly implies that there is not a single European view of the problems linked to government intervention in agriculture. Given the numerous and lively debates about the Common Agricultural Policy in Europe it is unlikely that there is a single European position which could be labeled the European view. Furthermore, the two authors of this paper have, in their earlier writings, proposed interpretations and points of view which, even if not totally contradictory, have nevertheless been quite different. Beyond this internal diversity of views among Europeans, one could imagine that the situation of agriculture and of agricultural policy in Europe is uniform enough, as contrasted for instance with the situation of agriculture in North American or in Oceania, for government intervention to be viewed in a specific manner.

The obvious geographic and historical differences between U.S. and European agriculture are recognized as explaining the differences in the agricultural policy agenda on both sides of the Atlantic in the 19th and 20th century. But the birth and development of commodity programs since the 1930's has given rise to striking similarities. On both sides of the Atlantic, the agricultural policy debate is dominated by considerations regarding farm incomes, farm prices, surpluses, budget costs, the need to export, etc. The magnitude of the corresponding economic problems may vary but the same tools are used for the analyses. It will thus be difficult to identify a European specificity in this matter.

One may then wonder whether or not the consequences of these government interventions are viewed as equally bad on each side? Is there a difference in the dominant ideology, regarding in particular the proper role to be given to market forces? Since the answer given to this question is a qualified yes, the implications for the current U.S.-EC agricultural trade confrontation will be worth exploring.

1/ Ecol National Superieure des Sciences Agronomique Appliques, Ministere de Agriculture, Republique Franciose, and Institut für Agroökonomie de Universität Göttingen, Federal Republic of Germany.

Specificity Due to Geographical and Historical Differences

Geographical and historical differences between U.S. and European agriculture are obvious. These differences had a strong impact on the agricultural policy agenda in the United States and in the various European countries during the 19th and early 20th century. Such issues as the choice between plantation agriculture of the colonial era and the peasant family settlement, embodied in the Farm Homestead Act, or the regulation of railroad rates and to a lesser extent of the banking industry, which were very important in the United States, did not have equivalent counterparts on the European side. In Europe, the main objectives of a nascent agricultural policy were liberating farmers from the remnants of the old feudal order, as well as protecting them from merchants' local monopoly power, and the promotion of agricultural education for a better diffusion of the new scientific techniques.

Soon, however, agricultural markets received more and more attention. At the end of the 19th century, a major issue on the European continent arose because of the competition from overseas grains, particularly wheat from North America. The various countries reacted differently. For instance, France and Germany chose to protect their agriculture through custom duties. By contrast, the United Kingdom settled the same debate in a different way when the "Corn Laws" were repealed (1849). Smaller countries such as the Netherlands or Denmark followed a specific, intermediate policy. They took advantage of low grain prices to develop livestock production, exporting pork and dairy products to the expanding urban markets of Germany and the United Kingdom. These historical differences continue to weigh on the European debate today. For our purpose here, they should be sufficient to illustrate the difficulty of identifying a singular European view of the issue of intervention in agriculture.

The birth of commodity programs, i.e., direct government interventions on domestic agricultural product markets, occurred in the 1930's, roughly at the same time as in the United States. This was the result of a serious economic crisis confronting agriculture in all countries during the same period. In each case, it also took a major political event, such as Roosevelt's New Deal in the United States, the coming to power of the Nazis in Germany or the Popular Front in France, to overcome the ideological and political obstacles which had prevented, until then, the adoption of such a drastic institutional innovation in spite of the pressures generated by the agricultural crisis.

Even though economic and political conditions have dramatically changed on both sides of the Atlantic since the 1930's, it is remarkable the commodity programs have remained a major feature of agricultural policies in Europe and the United States, similar to practically all developed countries with New Zealand being probably the notable exception today. These commodity programs

have survived after a world war, the Korean War, surplus accumulation in the 1950's and 1960's, the price boom of the 1970's, and the current "subsidy war."

The economic consequences of the commodity programs are seen by the authors as accumulation of surpluses, growing budget costs, inability to maintain farm incomes, and regressive income redistribution effects. These consequences are believed similar in all countries implementing such policies. In this respect, there is no European specificity. Thus, one is led to conclude that, in spite of very important geographical differences, which led to very different agricultural policy agenda between the United States and European countries during the 19th century, the birth of commodity programs in the 1930's and their continuation to the present have produced similar and now dominant problems. There are differences, however, in the ways these problems are perceived by opinion leaders and general public opinions on the two continents.

A Different Dominant Ideology

Because the role of ideology in any policy debate is always difficult to analyze in detail, a clarification of terminology is first necessary. The word ideology is used to refer to a set of ideas generally accepted in a given society. In the context of agricultural policy, "ideology" means the prevailing ideas relating to both what the economic phenomena underlying agricultural policy problems are and how these problems should be solved. In common American/English, the word philosophy is often used instead.

The dominant ideology in a society is important for the choice of policies being pursued. In the domain of agricultural policies, the similarities are so great between the United States and Europe that one can argue that either ideologies are similar, or that if there are ideological differences, these do not matter much. Whatever its merits, however, this argument should not be pushed too far.

There are probably significant differences regarding how the economic consequences of agricultural commodity programs are viewed by general public opinion. Generally speaking, on the European continent, i.e., not including the British Isles, farmers are viewed as hard working people who are often the victims of blind market forces, and who deserve special treatment. As long as budget costs are not prohibitive, agricultural price support measures are considered as legitimate. Two additional remarks deserve to be made here. Public opinion is generally much less favorable to farmers in the United Kingdom than on the continent. Farmers are viewed there as belonging to the richer class of society, perhaps as the heirs of the former land-owning aristocracy. And this helps explain the position taken by the British government as being much less favorable to agriculture in European agricultural policy debates.

In the United States, general public opinion is probably more tolerant of farm programs than many opinion leaders. Yet, on the whole, agricultural policies are discussed in the media and at times attacked by national leaders much more than in Europe, as illustrated for instance by the U.S. Administration proposal in 1985 to progressively cut back on all aspects of price support in domestic U.S. programs. Such a position would have been politically suicidal for governmental leaders in Europe. There is without doubt a significant difference in economic doctrine. Many U.S. administrations, and particularly the present one, have argued that agriculture should adapt to long term market forces.

An objective reason supporting this ideological difference is probably the great difference in farm structure between the United States and the European Community, as illustrated by the fact that the land-labor ratio is 8 to 10 times greater in the United States than in Europe. Additionally, there has not been a U.S. equivalent of the European farm structure policy, i.e., direct and significant government intervention on the land, labor, and in some respects, credit markets. Traditionally, U.S. income tax policies have provided tax shelters in agriculture to non-farmers, whereas on the European continent they have been systematically biased in favor of farmers. More generally, although this may be hard to document precisely, adjustments in response to market mechanisms tend to be viewed as good and desirable in the United States. In contrast, they are viewed as the source of potentially serious social hardship on the European continent, as illustrated by the much greater degree of intervention of European "industrial" policies compared to their American counterparts. It is not argued here that one position is necessarily better than the other, but that this may point to a difference of ideology which in turn partially "explains" policy differences.

Consequences for International Trade Negotiations

The confrontation between the United States and the European Community about international trade in agricultural products is as old as the European Community itself and due to real conflicts of economic interests. The confrontation has, however, been restrained on both sides by political considerations of a much broader scope than the agricultural interests at stake. But an escalation of intensity has continued to the present and the search for a compromise has been seriously complicated by the ideological differences briefly described in the previous section of this paper. The conflicts of economic interests are generally well understood. They primarily concern, as was the case in the 1960's, U.S. access to the European markets or, as is more the case today, competition between U.S. and EC agricultural products in third markets. The impact of ideological differences is not so clear and deserves further development.

Historically, European negotiators have tended to propose political solutions to the conflicts of interests underlying agricultural trade negotiations. This was the case in the 1960's when they proposed to limit the "montant de soutien," i.e., the margin of support to agriculture. Similarly, the Baumgartner-Pisani scheme of international commodity agreements proposed in the 1960's and somewhat revived in the 1970's, during the Tokyo Round of GATT negotiations, can be viewed as an attempt to reach a political arrangement. In recent years, it is clear that Community officials would like to reach tacit or explicit arrangements involving some form of market sharing with their U.S. counterparts.

But the expression "market sharing" itself is taboo for current U.S. negotiators. This reflects a significant ideological difference resulting from the conviction that market forces should not be interfered with on ideological grounds and cannot successfully be distorted in the long term on economic grounds. It appears that the U.S. position reflects two interrelated views: (1) If market forces were left free to play, U.S. agricultural comparative advantage is such that U.S. agriculture would benefit. (2) International commodity agreements cannot work because, if they are successful, they drive the price above its equilibrium level. This encourages supply, discourages demand and leads to overcapacity which provides incentives to suppliers to undersell. Thus, there is a built-in mechanism to undermine the agreement.

Political expediency sometimes imposes the necessity to compromise one's principles. Thus, current U.S. agricultural trade negotiators do not necessarily approve of the U.S. Section 22 GATT waiver, or of the protection benefitting U.S. sugar and dairy producers. These are clearly in contradiction with a move toward freer international trade of agricultural products. That does not make freer trade less desirable in their eyes and they continue to preach it to their European counterparts. But Europeans tend to see this internal U.S. contradiction as a sign of duplicity, and the argument "do as I preach not as I do" i.e. never very credible.

European negotiators would prefer a more pragmatic attitude, which would recognize the political constraints limiting the margin of maneuver of public officials. For instance, suggesting to do away with all public support to agriculture can only be viewed, in their eyes, as ideological posturing since this position does not recognize the existence of political constraints on both sides obviously making such a proposal totally incredible.

To some extent, one can argue that the EC position in international negotiations on agricultural trade is more internally consistent than the U.S. position. The U.S. argues for a complete liberalization of agricultural trade, though its own commodity policy is far removed from free trade. The EC

agricultural market policy may be more protectionist than the U.S. policy, but then the EC also does not argue for completely free trade. From a pragmatic point of view one can probably say that ideologies and language on both sides differ more than actual policies, and that in Europe ideology is more in line with actual policy than in the United States.

When it comes to trade negotiations, such as now underway in the Uruguay Round, actual policies should be considered more important than ideology. There is not much point in continuously emphasizing the differences in basic attitudes, when in the end, policies and the problems resulting from them are similar. Indeed, it appears that attitudes toward GATT negotiations on agriculture in the U.S. and the EC have significantly converged in recent months, even more than optimistic observers may have hoped. The EC proposal for the Uruguay Round may end up containing some elements which are similar to the U.S. proposal. If the EC gives up on arguing that the U.S. proposal to go all the way to free trade is unrealistic, and further, if the U.S. takes seriously the EC desire to do something first about market balance before long-run plans are made, then it should be possible to make major progress towards fruitful negotiations.

AGRICULTURAL INTERVENTION:
A VIEW FROM CANADIAN POLICY WORKERS

Erna van Duren and Larry Martin 1/

Introduction

Intervention and regulation is pervasive in Canadian agriculture, as it is in other developed nations. The objectives of this paper are to provide a perspective on: (1) the nature of Canadian intervention in agriculture; (2) reasons for the governmental actions; and (3) the future of Canadian agricultural policy now that Canada and the U.S. have agreed to the essential elements of a free-trade agreement.

In order to achieve these objectives the paper will discuss the following: first, the political and economic environment in which agricultural policy is formulated in Canada; second, selected policy instruments that are distinctive to Canadian intervention; and, third, how Canadian agricultural policy may evolve in the future.

The Canadian Political-Economic Environment

Canada's status as a small country in most international commodity markets, and its decentralized federal system are the major factors affecting the formulation and content of Canadian agricultural policy. Although the influence of these factors in Canadian policymaking is impossible to separate, the salient features of each are discussed below.

Political Factors

Canada's federal system has evolved as highly decentralized, in stark contrast to the U.S. experience. The resulting political strength of provincial governments and their constitutional jurisdiction over certain elements of agricultural and resource policy, combined with regional concentration in the production of certain commodities, has made a national agricultural policy an elusive goal in the past. The 1986 agreement by provincial and federal Ministers of Agriculture on "National Agricultural Strategy" is significant in this context. It marks the first time comprehensive coordination among governments has been attempted seriously.

Traditionally, crisis management of impending regional economic, and thus perceived political disasters has been a common element of federal agricultural policymaking. Western grain policies, including the creation of the Canadian Wheat Board and passage of

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the Western Grain Transportation Act, are the best historic examples of this pattern. Political crisis management remains important today. The Special Canadian Grains Program of 1986, which bestowed disproportionately high benefits to grain producers in a province in which the incumbent government was struggling for re-election is the most recent example. Similarly, many Canadians feel continuation of current dairy policy is essential to maintaining federal political power in Quebec.

Regional identification pervades debate over many elements of Canadian agricultural policy. Grain and especially livestock policies are frequently debated in terms of the distribution of benefits and costs between eastern and western Canada.

Economic Factors

Political factors explain the existence, and timing, of several of the policy instruments that currently exist in Canadian agriculture, but they do not explain the nature and content of intervention. Two economic factors are of overriding importance here--Canada's dependence on trade and the relative size of its economy.

The Canadian economy is highly integrated into the world economy and the agricultural sector is no exception. Trade accounts for nearly 30 percent of Canadian GNP, while in agriculture approximately one half of farm cash receipts are earned from exports.

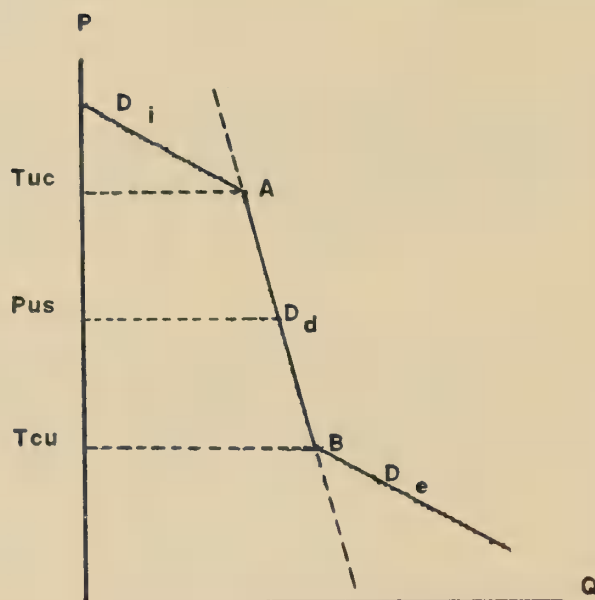
Although Canada's dependence on trade varies by agricultural commodity, several generalizations can be made. The United States is Canada's largest and most diverse trading partner; it purchased 27 percent of Canada's agricultural exports in 1985. Among commodities, the importance of the U.S. markets varies considerably, accounting for only 8.2 percent of Canadian grain and oilseed exports but 67.2 percent of red meat exports in 1985.

The United States is very important to Canada as a price setter because the United States, as a large country, affects world prices through its economic actions in international trade. This combined with Canada's status as a small country that does not affect world prices significantly leads to many Canadian products being priced relative to U.S. products.

Many Canadians think of this relationship in terms of the modified trade diagram. (Refer to Figure One). The vertical axis measures price, in Canadian currency. The horizontal axis measures quantities, produced consumed, and traded in a standardized unit. The segment D represents Canada's domestic demand for a commodity. Price in the U.S. is P_{us} , while T_{uc} and T_{cu} are transfer costs between Canada and the U.S. If Canadian supply lies in the range of domestic demand between P_{us} and T_{uc}

(i.e., A) and $P_{us}-T_{cu}$ (i.e., B), then price in Canada is determined by domestic demand. However, if Canadian supply lies to the right of B, then Canadian price is below the U.S. price by at least transfer costs. Canada exports to the U.S. (or world) and, at the margin, demand facing Canadian product is price elastic. Similarly, if Canadian supply lies to the left of A, Canadian price is higher by at least the cost of transfer. Canadian domestic demand is reduced by the amount of U.S. (or world) excess supply. At the margin, demand facing Canadian product is price elastic. We term point A the "import ceiling" and point B the "export floor".

Figure One. Canadian Agricultural Pricing



The policy implication of this pricing model should be clear. If farm policy has the objective of supporting farm incomes, then it makes no sense for Canada to unilaterally attempt to use instruments that control supply of traded products that are at or near the export floor or import ceiling. For those products at the export floor, a reduction in Canadian supply merely allow buyers to substitute product from competing nations and have little effect on price. At the import ceiling, a reduction in Canadian supply would have little effect on price, but would increase Canada's imports. Therefore, it is not surprising that Canada has relied on instruments such as direct transfers, tariffs and import quotas as the major instruments of farm policy.

Current Agricultural Policy in Canada

Canada's relationship to U.S. and world markets explains the basis for several of the policy instruments currently used in

Canadian agriculture. Within the context of Canada's experience, supply management, income stabilization, and the provision of public goods is discussed below.

Supply Management

Canada practices supply management in the dairy, egg and poultry sectors. In terms of Figure 1, supply management requires that Canadian production be limited to a pre-selected point on the demand curve. In practice production quotas have been used to limit Canadian supply to the portion of the domestic demand curve that lies above the import ceiling, and therefore import quotas have been used to prevent arbitrage across international markets.

In the poultry and egg sectors, supply management was motivated by the problems faced by producers in the 1960's. Technological change caused a rapid reduction in production costs and increased output. These supply-side forces, combined with stagnant demand caused a decline in real prices and forced many producers out of business. Price, and resulting financial instability, combined with Canadian producers' fears of vertical integration, as was occurring in the United States, led several provincial governments to establish producer controlled marketing boards for these commodities. These boards controlled only provincial production and could not regulate trade. Consequently, prices continued to be set in the U.S. and Canadian producers fought over national market share. The infamous "Chicken and Egg wars" between Ontario and Quebec, in the early 1970's, were the final impetus for federal legislation that led to the creation of the Canadian Egg Marketing Agency (1972), the Canadian Chicken Marketing Agency (1978), and the Canadian Turkey Marketing Agency (1974).

Prudent supply management can be used to prevent the overcommitment of resources to a sector, manage price volatility and risk, and manage production over time. When it is practiced in a small economy such as Canada's the international trade distortion affects of the attendant import quotas are also likely to be minimal. Finally, the practice is also permissible under Article 11 of the General Agreement on Tariffs and trade, although it is inconsistent with Canada's pro-free trade stance.

Unfortunately, several features of supply management as practiced in the Canadian dairy, poultry and egg sectors have produced undesirable results. Producer control of prices, through cost of production pricing and by limiting aggregate supply to the appropriate portion of the demand curve, has led to prices substantially above long-run minimum average costs. As in other developed nations, this "tax" on food is regressive, results in deadweight efficiency losses as measured by welfare economics analyses and, in some aspects, stifles entrepreneurial initiative.

The value of a unit of production quota is determined by the degree to which supply is restricted relative to demand. The value of this "self-created" asset is a financial benefit to the current generation of producers, but could be a barrier to new and potential producers. In addition, the allocation of expanded levels of quota is characterized by regional conflict, since regions with growing demand are not necessarily those with the most efficient producers. Finally, cost of production pricing is beset by technical, conceptual and political problems, that have been well documented by Canadian researchers. (Forbes et. al. p. 104)

Commodity Stabilization Policy

Since Canada is a price taker in world grain and livestock (red meat) markets, income stabilization policies that operate without production controls can be used without distorting international trade. Canada's first stabilization programs, the Federal Agricultural Stabilization Act (ASA) of 1958, provided for deficiency payments if the average price of designated commodities fell below 80 percent of the average price over the previous ten years.

In 1975, the ASA was amended: the base period was reduced to five years, coverage increased to 90 percent, and limits were placed on the quantity of product that was eligible for coverage. In addition, the amended ASA permitted the federal government to enter into federal-provincial stabilization programs that would allow provinces to provide more support than the ASA.

Currently, stabilization policy for livestock is in a state of change. In order to deal with recent provincial top-loading of the ASA, mostly in the hog sector, the Tripartite Red Meat program was developed in 1986. It is based on a margin guarantee, rather than a price or income guarantee, and covers only domestic consumption. Recent Canadian experience with U.S. trade laws, in Hogs and Pork from Canada (1985), has led to increased efforts to design Canadian policies that are strictly trade neutral. These efforts have been aided by the support of the Canadian Cattlemen's Association, which has advocated minimal government interference in the market throughout its 50-year history.

A similar program exists for western grains. The Western Grains Stabilization Act is designed to protect producers from instability in incomes, without distorting market signals. Payments are made when the total cash flow from the sale of seven grains in a particular year declines below the average of the previous five years. The federal government and producers contribute. Payments are made on the basis of the weighted average price of all seven grains, thus there is an incentive to produce the grain that is expected to yield the highest profit.

Grains and oilseeds grown outside the Canadian Wheat Board area are eligible for stabilization payments made under the amended Agricultural Stabilization Act.

Public Goods

A variety of public good type programs is used in Canadian agriculture. A representative mix is used in the livestock and grain sectors and includes Record of Performance and publicly funded animal research. Agriculture research, through Canada's system of experimental farms, was among the first policies, of any type, to be instituted by the young Canadian state in the early 1970's. Canadian statesmen have been less hesitant in creating public goods than their counterparts in other developed nations. In agriculture, where increased Canadian production does not affect international prices significantly, the benefits of many types of public goods accrue overwhelmingly to producers.

For example, Agriculture Canada conducts research into most agricultural and food commodities. Areas of animal research include livestock nutrition, reproduction, health, marketing and meat quality and others. Recent estimates of benefits of Federal Livestock Research indicate a net social benefit to cost ratio of 26.7 for beef, and 6.2 percent with a 10 percent real discount rate, for expenditures incurred over 1968 to 1984. (Fox, et. al.)

What About the Future of Canadian Agricultural Policy?

The recently concluded Canada-U.S. Free Trade Agreement implies that some changes are likely to occur in Canadian agricultural policy in the future. More important changes, however, are likely to result from the multilateral trade negotiations (GATT).

First, as a result of mutual elimination of tariffs on food and agricultural products, Canadian food processors who rely on supply managed commodities could find it increasingly difficult to compete with their U.S. counterparts. Eventually, Canadian processors would pressure producer marketing boards to bring their prices in line with U.S. prices, or pressure Canadian governments to end supply management. In either case, some type of adjustment policy would likely be required in the supply managed commodity sectors.

Second, as a result of the Canadian-U.S. agreement to consult semiannually on agricultural issues, and work together towards the elimination of all subsidies which distort agricultural trade in the multilateral trade negotiations (MTN), Canada would likely work towards ensuring the complete trade neutrality of its stabilization programs.

In conclusion, Canadian-U.S. agreement to consult and coordinate their actions in the MTNs is most likely to improve the competitive position of Canadian and U.S. agriculture since there are many sectors, such as grain, in which interests coincide.

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INTERVENTION IN AGRICULTURE: AS VIEWED BY A POLICY WORKER IN CHINA

Gengsheng Xu 1/

Traditional laissez-faire policy in agriculture is followed by no country in the world today. The development of agriculture in a country intervened into some degree by every government in every country. But there are not many countries where control over the agricultural economy is as strict as in China about 10 years ago. Up to the end of 1978, China insisted that government must centrally control the entire national economy, including the agricultural sector. The Chinese experience, however, shows that strict control over agriculture is harmful to agricultural development. Consequently, China implemented an agricultural reform in 1978. Questions do remain. Does government have to intervene in agriculture? What should be controlled? What should be decontrolled to permit automatic adjustments according to economic laws? These are the most important problems in agricultural economic system reform in China.

My paper will concentrate on the following: (1) experiences and lessons from control over agriculture in the first 30 years of New China; (2) the first stage of agriculture reform, enlarging peasant autonomy; (3) the second stage of agriculture reform, increasing commodity circulation; and (4) intervention in agriculture in the future.

Early History

In 1949, when New China was founded, the agricultural economy was undeveloped. There was no experience about how to rapidly develop agricultural production in a country such as China with large population and limited arable land. A short period of time after founding the People's Republic, China pursued the policy of agricultural collectivization.

There were several reasons for taking this road at that time. First, according to the theory of Socialism, a socialist country must follow central planning with government control over the national economy. Second, the government has to participate in distributing cereal, cotton, oilseeds and so on, because there were not enough commodities. Third, in the land reform in the early 1950's, Chinese government expropriated the land from the landlord and distributed it free to the peasants who were land

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less or short of land. But because the peasant economy was too weak to withstand calamities, some of the peasants resold their land and were put in a resource poor predicament again.

To stop a polarization of peasantry, the government took the road of collectivization. As development of collectivization in the rural area grew, the government progressively controlled the entire agricultural sector. Since 1953, China followed a system of state monopoly over purchasing and marketing the four major farm products -- grain, cotton, silks, and vegetable oil crops. Also, a fixed state purchasing system was implemented to handle farm products such as pork, beef, mutton, eggs, poultry, and tea. Peasants had to sell all their surplus products to the government agency at prices fixed by the state. These systems, however, ran counter to the objective law governing the production and circulation of commodities, dampened the enthusiasm of peasants, and sabotaged agricultural production.

Severe difficulties in the agricultural sector compelled the government to examine the control policy after the "cultural revolution". The lessons from strict control over agricultural were summarized as follows:

First of all, the mandatory production plan ignored peasants' wishes and local situations in the agricultural region. Therefore, the mandatory plan prevented China from developing agricultural production.

Second, the mandatory plan laid undue stress on production of grains and ignored other farm products. To produce more grains the peasants were encouraged to cut woods, to reclaim wasteland or lake bottom or seabeach to plant foodcrops, thus causing severe soil erosion and ecological imbalance.

Third, the peasants were compelled to sell their staple farm products (grain and cotton) to the state at lower price fixed by the state, thus reducing the peasants' income, maintaining the peasants' standard of living at lower levels, and dampening the production enthusiasm of peasant masses. It should be admitted that the objects of control over agriculture originally were to develop agricultural production, but the experience in nearly 30 years in China shows that the results turned out contrary to expectations. Thus, it was concluded, China needed to reform its policy on agriculture.

The Beginning of Agricultural Reform: Enlarging Peasant Autonomy

Chinese economic reform began with agriculture reform, and agriculture reform began in 1978 with "fixing of farm output quotas for each household". The system of fixing farm output quotas for each household was developed spontaneously by peasants in Szechuan and Anhui provinces in order to put an end to the

backwardness of agricultural economy. Under this system former production teams divided the cropland into parcels and distributed them to peasant families to take full responsibility for production quotas. After fulfilling the production quotas, the peasant could plant any crop they chose. Peasants were also allowed to sell part of their surplus farm products on the market. The price received by peasants for such products was raised from their very low pre-reform level. The facts proved that under this new system, emphasizing peasant control of land, all family members worked together getting more income for more work, and agricultural production increased rapidly.

In 1978, the Chinese government, summing up its past experiences and lessons, conducted a series of rural economic reforms adopting new agricultural economic policies. These policy included the following: introducing diverse forms of the household contract system which links payment to output; taking a more careful look at grain production by developing a diversified economy, thus bringing about a comprehensive development of agriculture, forestry, animal husbandry, sideline occupations and fishery; and building up small towns, opening rural markets and allowing peasants to take part in commodity transactions. This system has motivated the peasants' enthusiasm for production. Between 1978 to 1985 the total agricultural value increased by an average annual rate of 9 percent (or 6.7 percent after deducting the output value of village-run industries). Peasants' income per capita rose by a record rate of 14.8 percent a year (3)(7).

Thus, one sees that the situation has changed dramatically. Under the old system, according to the government mandatory plan, production teams planted crops. For example, peasants who lived in the suburban areas of big cities had to produce vegetables to supply city consumers at fixed prices. The government set a quantity target for production teams. The peasants usually planted vegetables such as spinach, tomato, radish and Chinese cabbage because they required less labor and get higher yield per hectare. The peasants were able to complete their mission more easily. However, it resulted in too much of these kinds of vegetables planted, harvested and on the market at the same time. These products were everywhere at harvest time, too much to be consumed by consumers, with spoilage of large quantities. For this reason, people who lived in Beijing could get high quality fresh vegetables at times but only so called "popular vegetables" throughout the year (mainly radish and Chinese cabbage), which were stored by consumers and consumed during the winter and early spring time.

Now, peasants are allowed to plant the vegetable according to consumers' demand under the new system. In recent years, peasants plant less "popular vegetables" and more "fine vegetables", with the peasants receiving much higher returns. Now one does not see large quantities of "popular vegetables" in the street except Chinese cabbage in the late fall. Consumers,

however, can now get higher quality vegetables throughout the year. It is unquestionable that consumers support agricultural economic reform because they benefit from it.

There are still some troubles in agricultural economic reform. For example, after getting the right to decide what they plant, peasants are interested in cash crops much more than foodcrops. Planted area for foodcrops has been shrinking in recent years. This is because although the price for grain has been raised greatly, it is still much lower than that for most of cash crops. On the other hand, some peasants who live in the suburban areas of big cities have already have non-agricultural work, but they insist on keeping their land, even though they are not able to plant it any more. Consequently, land is lying idle.

In addition, China does not have enough infrastructure and can not stand the pressure from bumper harvests. Before agriculture reform, farm supply and purchase were operated by the government agency. Thus, for example, when rice is harvested in the fall, rice producers often can not sell their products immediately, because there are not enough warehouse, processing and transport facilities. It is obvious that the circulation and distribution system of farm products do not suit the needs of development of agricultural production. It must be reformed.

Increasing Commodity Circulation

The second stage of agricultural economic reform began in 1985. Its target is to reform and improve the distribution system of farm products. In other words, it is to gradually abolish the state monopoly over purchasing and marketing of major farm products and to establish and improve the marketing system of commodities. As mentioned above, the state monopoly system was necessary in the past when there were not enough products and the government had to guarantee supplies for urban and rural people. However, the present household contract responsibility system enriches the farm product and makes the state monopoly system unnecessary. Moreover, the state monopoly system impeded the production enthusiasm of peasants to readjust agricultural structure. In order to deepen agricultural economic reform, it is felt that China needs to abolish the state monopoly system and establish a commodity marketing system (5).

Beginning in 1985, except for individual commodities such as cotton, the state no longer assigned fixed quotas of farm products to be purchased from peasants. A system of purchasing under contracts and on the markets was introduced. After the contract system was introduced for the purchase of grain and cotton, state commercial agencies consulted peasants before sowing season and signed purchase contracts with them. As for the purchase price for grain, 30 percent of grain is bought at the original state purchase price and 70 percent at the high, above-quota purchase price. After selling the required quota of

grain, the peasants may sell their surplus on the markets. In order to encourage peasants who grow grain, the state grants them preferential supplies of fertilizers, diesel oil, improved variety seeds and other means of production (1)(3).

At the same time, the government abandoned the fixed quota purchase system for pigs, beef, mutton, poultry, eggs, aquatic products, vegetables and other non-staple foods, opened free markets in the rural area and in the city, and allowed the price to fluctuate according to quality of products. In order to compensate the urban dwellers for price rises in non-staple foods, the government issued subsidies to each dweller. Grain from the state stores is rationed for urban residents and the selling price remains unchanged. Losses resulting from the difference between purchasing and selling prices will be met by continued state subsidies (3).

Several positive results have appeared since 1985. First, the agricultural production structure has been changed gradually. Peasants only could plant their cropland according to the government's mandatory plan in the past. Now, they are getting more opportunity to make decisions. Therefore, the peasant plans more cash crops, such as oil- and sugar-bearing crops, jute, flax, vegetables and others. The old single-production economy which took grain as the dominant factor has been changed and the agricultural production structure is becoming more rational (2).

Second, animal husbandry, which is less developed traditionally in China, is growing more rapidly than before. In 1985 and 1986, red meat increased by 13.9 percent and 9 percent respectively; milk by 14.2 percent and 14.4 percent; in 1985, output of aquatic products increased by 12.5 percent and 15.3 percent in 1986 (3).

Third, rural industry, construction, transportation and commerce grew faster than ever, and provided more employment positions for surplus labor forces in the rural area. In 1986, output of these industries increased by 50 percent over 1985, accounting for 46.9 percent of total product of society in the countryside (3)(6).

Even though the second stage of agricultural economic reform is just beginning, there are still troubles. For example, marketing channels commodities is always clogged because of poor managing; the peasant does not know what should be planted, because they get no information of consumer's needs, and so on. Reform of the marketing system of farm products will take a long period of time.

Intervening in Agriculture in the Future

In the future, government intervention in agriculture may develop in two directions: (1) The Chinese government may continue to reduce its control over agriculture. Government will use more economic measures such as credit to encourage the peasants to grow more of some farm products or lead them to reduce production

of some others thus realizing the principle of the planned commodity economy. (2) The government may also have to increase its intervention in other ways. The government will have to be involved in the planning and development of infrastructure so that agricultural development will not be hindered in the future. In this respect, there are lot of things to be done by government (7).

First, the government needs to develop and improve the physical infrastructure in the rural area. There are not enough transportation facilities to suit the needs of development of a commercial commodity economy in the rural areas. This is especially true in the western part of China. Presently, because of the scarcity of roads and warehouses, peasants often find it hard to sell their commodities. More highways, railways and warehouses are needed in the near future.

Second, the government needs to extend new agricultural science and technology advances to raise agricultural productivity. Because China has more population and less cropland, peasants have the tradition of intensive farming to achieve comparatively fairly high yields. Further development of the agricultural economy depends on the development of agricultural education, research and extension. But today, illiteracy prevails for nearly one third of the population, and the percentage in the rural area is even higher. Literate peasants are needed for the modernization of the agricultural economy. China must develop professional education for adults in the rural area, as well as popularizing the nine year compulsory education system. Moreover, China has had separate agricultural academies and colleges in provinces and extension stations in countries, and so far they have not been integrated into a system. Therefore, new achievements of agricultural science and technology can not be extended easily to agricultural production. A system must be established and improved by government.

Third, the government must provide technical and marketing information for the peasants. To a great extent, Chinese agriculture is still in a self-sufficient state. Peasants are accustomed to traditional methods of agricultural production, not being familiar with the demands of consumers. The government must provide more marketing information for the peasants, helping them to produce commodities based upon consumers' demand, and adjusting the structure of agricultural production in response to these demands.

Fourth, and very importantly, the government must work up a long-term strategy for development. Grains have traditionally been the most important crops in China. If only from the view of feeding one fifth of the world's population, Chinese agriculture assumes an important responsibility. To assure improvement of the living standards of the people, however, the government must

formulate a development strategy for the agricultural sector that leads to the production of enough grain and fiber to feed and cloth one billion people, and improve the ecological environment.

Finally, one other important factor linked with adequate agricultural production is control over the growth of population. In this respect, the government needs to continue to take measures to limit the growth rate of population to a proper level.

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INTERVENTION IN AGRICULTURE:
AS VIEWED BY A POLICY WORKER IN ARGENTINA

Alberto de las Carreras 1/
Background

The purpose of this article is to present the effects of the intervention of the government in Argentine agriculture as related to international trade. The introduction of such profound government regulation in the agricultural economy had its beginnings during the decade of the 1930's, as a consequence of the worldwide crisis that started in the 1920's. The world recession and an agricultural surplus created disturbances in the Argentine economy which had a large rural sector at that time. Argentine trade for the period included over 90 percent primary exports (raw materials).

In reaction to this world crisis, several governmental actions took place which were strongly reflected in the agricultural economy and trade. Government control of the exchange rate was established. Regulating agencies were created for the marketing of grains, cotton, and wines; mechanisms of price control were set; and also a paraestatal enterprise was created whose function was the processing and marketing of meats.

Previously, the Argentine government avoided direct economic interventions. Production and trade (extensively agricultural) developed in part due to the strong participation and leadership of Great Britain. It had provided capital for the development of food industry and services and purchased Argentine agricultural products in order to maintain low food prices required by the British economy. Argentina was interested in a scheme being followed under similar conditions in countries such as Australia, New Zealand, Canada, Uruguay, and others. It had custom duties on imports of 20 percent, which provided assistance to start up some nonagricultural industries, oriented toward the internal markets with only limited exports. The surplus of net trade influenced by an active world demand for agricultural products was sufficient to fuel a prospering economy growing at an accelerated pace. There were periods of crisis and price fluctuations followed by adjustments that allowed further growth.

The governmental interventions in the decade of the 1930's were followed during World War II by an accumulation of large agricultural surpluses caused by the blockade of the German fleet and a shortage of industrial materials given the insufficient industrial development of the nation. Under these conditions, a minimum price policy was established to support agricultural

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industrial development of the nation. Under these conditions, a minimum price policy was established to support agricultural production. It was also the beginning of a strong development in light manufacturing industries directed to supply the internal markets.

At the end of the war, Argentina faced strong competition for international markets for its agricultural and industrial products. With a incohesive growing industrial sector, which could not survive without major tariff protection, the country, similarly to others in the developing world, opted for a policy emphasizing industrial development. This was accomplished by protecting its industries, and also by using import substitution as a base for this new added strategy of economic development. The cost of raw materials was utilized to finance the process of industrialization. Several actions were introduced to this effect. Types of differential exchange rates were temporarily used and complemented by taxes on exports of agricultural products, along with strong restrictions for industrial imports, implemented through higher tariffs, preauthorized permits or prohibitions. At a later time, some promotions of industrial exports took place to compensate the high cost of manufacturing goods generated by those policies.

Intellectual Underpinning of the Policy of Import Substitution

Import substitution was the predominant strategy in Latin America and other developing countries. It was sustained on the belief that the agricultural sector lacked the dynamism required to provide employment for the new generations, but at the same time being able to generate trade revenues to finance development. Faced with the deterioration of exchange rates which were biased toward manufacturing goods, these countries needed to stimulate a strong industrial sector to avoid a balance of payments problem, to control fluctuating world market prices, to achieve an equitable balance of trade, and to promote technological development consistent with the modern aspirations of these countries.

Frustrations with the import substitution policy were created by the void of a consolidated industrial sector, described above, by the abrupt reduction of imports at the beginning of World War II, and by the inception of agricultural protectionism in the world at the hands of Europe, United States, and later Japan. These developments, however, helped to consolidate the economic strategy which remained permanent for almost four decades.

Another viewpoint stressed the convenience of obtaining a more balance development by stimulating industry through a regiment of moderate tariffs on imports without intervention in the primary production level and its related industries, and with taxes on exports. The ideological school that supported the import substitution was stronger and in harmony with the prevailing schools of thought that assigned a fundamental role to the state

as employer and regulator.

The elements applied in the external commercial policies were as follows: A high level of custom duties protection based on high import tariffs and prearranged authorization. Restrictions of some products into the country were not taken into consideration, at least in a sufficient manner to properly relate the cost level of the Argentine manufacturers to the world market of the period. When the difficulties confronted by agricultural exports became evident, subsidies were imposed for industrial exports, but even yet this action did not help progress. After an initial surge of nonagricultural exports, they stagnated and the physical volume of export sales remained at the same level in the last 10 years.

Taxes on exports of primary and agro-industrial products were imposed. The percentage of these taxes over the value of FOB on exports reached such a high level that the large fiscal contribution to the national budget became difficult to replace under a chronic budget deficit situation. This percentage increased at a decreasing rate as the value of total industrial manufacturing of agricultural-related products grew. The unavoidable depressive effect of these taxes on exports of agricultural products and byproducts was clearly unforeseen by the promoters of the strategy. Many believed that the comparative advantage of Argentine agriculture was such that the excise taxes could be compensated by a more efficient agriculture complemented with the adoption of new modern technologies.

The above elements played a significant role in explaining and justifying government intervention in the economy. The results were that exchange rate operating with strict control under the zealous commercial policies tended to overvalue the national currency, thus depressing the agricultural sector and, in turn, agricultural exports.

Measure of Reductions in Investment in the Agricultural Sector

Over a long period of time, there were estimations of the reduction in investments for the rural sector caused by the export tax imposition on agricultural products and byproducts. These not only estimated the tax contribution to the budget but also the implicit contribution as a transfer to consumers. However, they did not reflect the policies impact on import substitution mentioned previously. A large body of studies exist which quantify with greater precision the effects of the policies on different sectors of the economy.

From a recent study, the following table reflects the degree of protection (positive or negative over different Argentine productions). The author took into account the three factors mentioned above: taxes on exports, tariffs on imports, and the strong effect caused by exchange rates. The first column indicates the degree of effective protection for primary and

industrial products, measuring the effect of tariff policies (export taxes and import tariffs). The second column adds the effects of commercial policy over real exchange rates. The first column is called protection and the second net protection.

Effective Net Protection or Agricultural And Industrial Products for Argentina, 1966-86 (Percentages)

<u>Primary</u>	<u>Protection</u>	<u>Net Protection</u>
Sunflower	-34.44	-44.85
Wheat	-22.76	-35.93
Sorghum	-19.74	-32.92
Corn	-18.62	-32.92
Sucia Wool (Unclean)	-14.84	-27.61
Rice	-10.42	-24.81
Cotton	- 8.84	-25.03
Apples	- 7.07	-20.96
<u>Processed</u>		
Wool (Tread)	6.96	- 6.73
Wood	12.35	- 1.37
Wool (Clean)	16.88	0.10
Cotton (Tread)	20.49	5.39
Industrials	73.92	45.73

Source: Sturzenegger Adolfo C. "El impacto del sector externo en el desarrollo economico regional. La hipotesis de la regulacion antiprimaria, prometropolitana, conservadora y endogena."

As expected, the combined effect of the three factors indicate the disproportionate underprotection of primary Argentine commodities (sunflower, wheat, corn, etc.) as a consequence of the total effect of the external commercial policies. On the contrary, it overprotected industrial production ("metropolitan" industry, textiles "spinning," etc.). Its influence on relative prices was extremely important to the Argentine economy.

This commercial policy called "close" is presently being analyzed by the international organizations and other centers of research. The World Bank had an indepth study of this area in its report (World Development, 1986). To apply the same analogy to other countries, we include the table which appears in the above-mentioned report. It reflects the relative rate of protection between agriculture and industry between the years 1960 and 1980 for several Latin American countries. The index of less than one represents each country's disparities.

Protection of Agriculture Relative to Industry by Country

<u>During the 1960's</u>	Year	Effective Rate of Protection*
Mexico	1960	0.70
Chile	1961	0.40
Malaysia	1965	0.98
Philippines	1965	0.66
Brazil	1966	0.46
Korea	1968	1.18
Argentina	1969	0.46
Colombia	1969	0.40

During the 1970's and 1980's

Philippines	1974	0.76
Colombia	1978	0.49
Brazil	1980	0.65
Mexico	1980	0.88
Nigeria	1980	0.35
Egipto	1981	0.57
Peru	1981	0.68
Turguia	1981	0.77
Korea	1982	1.36
Ecuador	1983	9.65

*Effective rate of protection in agriculture (+) 1, divided by effective rate of protection in manufacturing.

The Effect of Commercial External Policy on the Economy

The World Bank recently published a research paper outlining the effects of this type of policy on several developed countries for the periods 1963-73 and 1973-85. They divide the policy by orientation (outward or inward trade policies), verifying the results through the GDP

For the initial period, it clearly shows the high growth reflected by the countries with open economies such as Singapore, South Korea, and Hong Kong. The GDP growth decreases as the amount of openness in the economy is reduced, and is totally diminished in strong closed economies.

For the period 1973-85, GDP growth continues to be high for the three countries mentioned but shows up even lower for the closed economy countries. There obviously exist other factors that influence growth, which are politically, socially or economically related, but not necessarily connected to commercial external policies.

Potential Changes in the Commercial External Policy

The existence is clear of a strong intervention by the Argentine government in agriculture through these policies. These action precipitated a decline in agricultural production as a consequence of the relative prices between agricultural products and imports, and the tendency to maintain a depressed exchange rate. This decline was reflected in the world market by a diminished Argentine participation.

The effects of these commercial external policies are corroborated, not only in Argentina, but other countries as well. Studies of a different nature by Argentine economists, by institutions and international research centers, have contributed convincing data in this area. Therefore, it is likely that some change of policies will take place, particularly toward greater integration of the economy and trade.

At the same time, there exists among developed countries a growing perception of the inconvenience created by protection used in agricultural markets in the last decades. This coincides with similar ideas on the Argentina experience. These views were presented in the last meetings of the OECD in the international forum. The Uruguay Round of GATT intends to treat agricultural issues with tenacity, a total new posture from the past. The United States presented the proposal for the elimination of agricultural subsidies in a 10-year plan. Argentina most likely will support this measure, in conjunction with the Cairns group.

In our country we are also analyzing the forces that precipitated a decline in agricultural production and decreased participation in the international agricultural market.

COMMODITY PROGRAM UPDATE

BY THOMAS LEDERER AND RICHARD SHELTON*

Commodity	1985	1986	1987	1988
Wheat				
Target price (\$ per bu.)	4.38	4.38	4.38	4.23
Loan level (\$ per bu.)	3.30	2.40	2.28	2.21
Reserve loan level (\$ per bu.)	1/ 3.30	1/ 2.40	N.R.	—
Reserve release level (\$ per bu.)	4.45	4.45	N.R.	—
Acreage reduction (percent)	20	22.5	27.5	27.5
Paid land diversion (percent)	10	4/ 2.5/5-10	—	—
Payment-in-kind (percent)	—	—	—	—
Nat'l base acreage (mil. acres)	93.9	92.6	89.6	N.R.
Corn				
Target price (\$ per bu.)	3.03	3.03	3.03	2.93
Loan level (\$ per bu.)	2.55	1.92	1.82	1.77
Reserve loan level (\$ per bu.)	1/ 2.55	1/ 1.92	—	—
Reserve release level (\$ per bu.)	3.25	3.25	—	—
Acreage reduction (percent)	10	17.5	20	20
Paid land diversion (percent)	—	5/ 2.5	15	10
Nat'l base acreage (mil. acres)	83.3	81.9	83.3	N.R.
Grain Sorghum				
Target price (\$ per bu.)	2.88	2.88	2.88	2.78
Loan level (\$ per bu.)	2.42	1.82	1.74	1.68
Reserve loan level (\$ per bu.)	2.42	1.82	—	—
Reserve release level (\$ per bu.)	3.10	3.10	—	—
Acreage reduction (percent)	10	17.5	20	20
Paid land diversion (percent)	—	5/ 2.5	15	10
Nat'l base acreage (mil. acres)	19.9	18.8	18.1	N.R.
Barley				
Target price (\$ per bu.)	2.60	2.60	2.60	2.51
Loan level (\$ per bu.)	2.08	1.56	1.49	1.44
Reserve loan level (\$ per bu.)	2.08	1.56	—	—
Reserve release level (\$ per bu.)	2.65	2.65	—	—
Acreage reduction (percent)	10	17.5	20	20
Paid land diversion (percent)	—	5/ 2.5	15	10
Nat'l base acreage (mil. acres)	13.2	12.4	12.9	N.R.
Oats				
Target price (\$ per bu.)	1.60	1.60	1.60	1.55
Loan level (\$ per bu.)	1.31	0.99	0.94	0.90
Reserve loan level (\$ per bu.)	1.31	0.99	—	—
Reserve release level (\$ per bu.)	1.65	1.65	—	—
Acreage reduction (percent)	10	17.5	20	5
Paid land diversion (percent)	—	5/ 2.5	15	—
Nat'l base acreage (mil. acres)	13.2	12.4	12.9	N.R.

*U.S. Agricultural Policy Branch, ATAD, ERS

	1985	1986	1987	1988
Rye				
Loan level (\$ per bu.)	2.17	1.63	1.55	1.50
Soybeans				
Loan level (\$ per bu.)	5.02	4.77	4.77	N.R.
Upland Cotton				
Target price (cents per lb.)	81.00	81.00	79.4	75.90
Loan level (cents per lb.) 3/	57.30	1/ 55.00	1/ 52.25	51.80
Acreage reduction (percent)	20	25	25	12.5
Paid land diversion (percent)	10	—	—	—
Nat'l base acreage (mil. acres)	15.8	15.6	15.0	N.R.
Extra Long Staple (ELS) Cotton				
Target price (cents per lb.) 3/	103.14	102.48	97.7	95.7
Loan level (cents per lb.) 3/	85.95	84.50	81.4	80.9
Acreage reduction (percent)	10	10	15.0	10
Nat'l base acreage (mil. acres)	66.0	77.7	85.9	N.R.
Rice				
Target price (\$ per cwt)	11.90	11.90	11.66	11.15
Loan level (\$ per cwt)	1/ 8.00	1/ 7.20	1/ 6.84	N.R.
Acreage reduction (percent)	20	35	35	N.R.
Paid land diversion (percent)	15	—	—	—
Nat'l base acreage (mil. acres)	4.2	4.2	4.2	N.R.
Flue-cured Tobacco				
Loan level (cents per lb.)	3/ 169.9	143.8	143.5	N.R.
Effective marketing quota (mil. lbs.)	763.8	699	745	N.R.
Burley Tobacco				
Loan level (cents per lb.)	3/ 178.8	148.8	148.8	N.R.
Effective marketing quota (mil. lbs.)	541.7	463	520	N.R.
Peanuts				
Loan level, quota (\$ per ton) 3/	559	607.47	607.47	N.R.
Loan level, non-quota (\$ per ton)	148	149.75	149.75	N.R.
Marketing poundage quota (1,000 tons)	1,100	1,355.5	1,355.5	N.R.
Wool				
Support level (cents per lb.) 3/	165	178	181	N.R.
Mohair				
Support level (cents per lb.) 3/	443	493	495	N.R.

Sugar				
Loan level for raw cane (cents per lb.)	18.00	18.00	18.00	N.R.
Loan level for refined beet (cents per lb.)	21.06	21.09	21.16	N.R.
Honey				
Loan level (cents per lb.)	3/ 65.3	64.0	63.0	N.R.

N.R. = Not Released.

1/ Minimum allowed by law.

2/ Wheat PIK for 1984—wheat producers could choose any level of participation from 10 to 20 percent, inclusive.

3/ Determined by statutory formula.

4/ The 2.5 percent is mandatory for program participation. Winter wheat producers have two options for additional paid diversion — 5 percent or 10 percent. Payments are made in the form of commodity certificates.

5/ Payments are made in the form of commodity certificates.

AGRICULTURAL AND FOOD POLICY UPDATE: ADMINISTRATIVE DECISIONS

by Susan L. Pollack and Letricia M. Womack*

GRAINS AND COTTON

1988 Farm Program Provisions--including the provision that wheat, feed grains, and upland cotton producers may request advance deficiency payments at signup. Advance payments will be equal to 40 percent of the estimated commodity deficiency payment rate. One-half of this amount will be paid in cash at signup and the balance will be paid in generic commodity certificates on or about May 16. The estimated payment rates are:

	Estimated Payment Rate	Advanced Portion
Wheat \$/bushel	\$1.53	.612
Corn \$/bushel	1.10	.440
Sorghum \$/bushel	1.08	.432
Barley \$/bushel	0.76	.304
Oats \$/bushel	0.30	.120
Upland Cotton \$/pound	0.16	.064

For wheat and feed grains, producers may elect to participate in an optional acreage diversion program--known as 0/92--under which producers devote all or a portion of the wheat or feed grain permitted acreage to conserving uses (CU) and receive deficiency payments on an acreage not to exceed 92 percent of the crop's permitted acreage. The deficiency payment rate on the CU acreage will not be less than the estimated deficiency payment rate shown above.

To minimize adverse economic effects on rural communities, measures will be taken, when needed, to limit the amount of acreage idled under this program, taking into consideration acreage idled under other programs, including the conservation reserve program.

Producers may apply to participate in the 0/92 program from February 16 through March 11. The application to participate in the program must state both the producer's intended crop acreage for harvest and the acreage the producer intends to devote to conserving uses in order to receive a deficiency payment. Wheat and feed grain producers who do not submit an application to participate in the 0/92 program before March 11 will not receive deficiency payments on CU acres except as may be authorized in certain disaster situations.

Other program provisions called for by the Omnibus Budget Reconciliation Act of 1987 include:

--The oats acreage limitation percentage under the acreage reduction program will be 5 percent, down from the 20 percent level announced on September 29, 1987. The oats and barley crop acreage bases will continue to be combined. Producers will be allowed to plant oats or barley on the permitted acreage within the combined crop acreage base.

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--An optional corn, sorghum and barley paid land diversion program which provides for a reduction of 10 percent of the applicable crop acreage base with a \$1.75 per bushel payment rate for corn, \$1.65 per bushel for sorghum and \$1.40 per bushel for barley. The diversion payment will be paid all in generic commodity certificates on or about May 16.

--Grazing of Acreage Conservation Reserve (ACR) land and CU acreage will be permitted except during five consecutive months of the seven month period between April 1 and October 31 as designated by the State Agricultural Stabilization and Conservation (ASC) Committee. The Secretary has determined that haying will not be allowed except under emergency conditions unless it is determined that, based upon information submitted by a State ASC Committee, haying will not result in an adverse economic effect in the State.

--Established "target" prices have been lowered about 1.4 percent from those previously announced. Price support loan and purchase levels have generally been limited to a 3 percent decline from the 1987 crop levels, rather than 5 percent authorized by the Food Security Act of 1985. The revised rates are as follows:

	Target Prices	Loan Rates
Wheat \$/bushel	\$4.23	\$2.21
Corn \$/bushel	2.93	1.77
Sorghum \$/bushel	2.78	1.68
Barley \$/bushel	2.51	1.44
Oats \$/bushel	1.55	0.90
Rye \$/bushel	--	1.50
Upland Cotton \$/pound	0.759	0.5180
ELS Cotton \$/pound	0.957	0.8092

--1988 program payment yields will be established based on the average of program payment yields established for a farm during the 1981 through 1985 crop years excluding the highest and lowest yields. However, if this calculation results in a yield below 90 percent of the 1985 program payment yield, producers will be compensated to ensure that they receive the same return as if the yield had not been reduce by more than 10 percent.

--In addition, the 1987 Act provides that, during signup, wheat producers may request that 75 percent of the emergency compensation payment, known as the "Findley payment," be paid to them in December, 1988 instead of July, 1989. This payment is made available to producers when the wheat loan and purchase rate has been reduced in order to maintain domestic and export markets. The payment rate is the difference between the basic loan rate of \$2.76 and the higher of the 1988 loan and purchase rate of \$2.21 or the national weighted average price received by wheat producers during the 1988 wheat marketing year which ends May 31, 1989.

Other major program provisions previously announced include:

--Signup period: February 16 through April 15.

--Acreage limitation percentages:

	ARP Percentage	ACR Factor	ACR Factor with PLD
Wheat	27.5	.3793	--
Corn, Sorghum, Barley	20.0	.2500	.2857
Upland Cotton	12.5	.1429	--
ELS Cotton	10.0	.1111	--

--Limited cross compliance will be in effect for the 1988 crops of wheat, corn, sorghum, barley, upland cotton and rice. To be eligible for price support loans, purchases or payments for any wheat, corn, sorghum, barley, upland cotton, and rice crop, the acreage planted for harvest on a farm may not exceed the crop acreage base for these commodities. Oats and ELS cotton are not subject to limited cross compliance requirements.

--Offsetting compliance requirements will not apply.

--Production of crops, program or non-program, will not be permitted on CU acreage under the 50/92 provision for upland cotton and rice or the 0/92 provision for wheat and feed grains.

--The authority for producers to adjust any crop acreage base (CAB) with a corresponding downward adjustment of other CABs on the farm will not be permitted. However, limited adjustments in CABs will be considered when producers need to change cropping practices to carry out conservation compliance requirements on highly erodible land.

April 15 is the date for determining the status of individuals or entities in applying the 1988 maximum payment limitation requirements.

1986 Corn and Sorghum Producers Receive Final Payment--About \$300 billion in final payments will be made to eligible corn and sorghum producers of 1986 crops. The final payments, combined with advance payments, will result in about \$6.4 billion payments for corn producers and \$585 million for sorghum producers. The payment will be made half in cash and half in generic commodity certificates. The cash portion is subject to a 4.3 percent reduction in compliance with the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings Act).

Cotton Classing Services Fee Increase--User fees paid by cotton growers for USDA cotton classification services increase by 12 cents per bale. The increase brings the uniform classing fee paid by growers to \$1.20 per bale for manual classification and \$1.70 per bale for High Volume classification.

OILSEEDS AND TOBACCO

1987 Soybean Loan and Purchase Rate Set--The final loan and purchase rate for the 1987 crop of soybeans was set at \$4.77 per bushel. The final rate was the same as the preliminary announcement. All producers of 1987 soybean crops are eligible for loans and purchases. Soybeans are not eligible for the farmer-owned reserve programs.

1987 Flue-Cured And Burley Tobacco Assessment Rates--Producers and purchasers will each be assessed two cents per pound for the 1987 flue-cured and burley tobacco crops. These assessments will ensure the tobacco price support program operates at no net cost to taxpayers, as provided by the No Net Cost Tobacco Program Act of 1982.

1987 Flue-Cured Tobacco Grade Support Rates--Grade loan rates for the 1987 flue-cured tobacco crop are based on the price support level of \$1.435 per pound. The loan rates range from 97 cents to \$1.89 per pound. The Flue-Cured Tobacco Cooperative Stabilization Corporation deducts one cent per pound from the grade loan rates to help defray administrative overhead costs.

Grading Standards for Flue-Cured Tobacco To Be Amended--USDA proposed to amend the grading standards for flue-cured tobacco that would allow more accurate grading of tobacco in the marketplace. The amendments would modify the definition of "nested" to mean any lot of tobacco of different grades which is arranged so that the bottom layers are distinctly inferior in grade to the top. They would also eliminate the language referring to "concealment" and "wrapper".

1987 Burley Tobacco Crop--The loan rates for various grades of 1987 burley tobacco, which reflect the price support level of \$1.488 per pound, range from \$1.63 to \$0.98 per pound. The national support level is unchanged from the 1986 level, but the 1987 grade loan rates reflect minor changes from 1988 rates.

1987 Price Support Levels for Six Kinds Of Tobacco--1987 price support levels decreased about 0.3 percent from 1986 for the 1987 crops of Virginia fire-cured (type 21), Kentucky-Tennessee fire-cured (types 22-23), dark air-cured (types 35-36), Virginia sun-cured (type 37), Cigar filler and binder (types 42-44, 53-55), and Puerto Rican filler (type 46) tobaccos.

1986 Loan Rates and Assessments For Puerto Rican Tobacco--Schedules of grade loan rates for 1986 Puerto Rican tobacco (type 46) were issued based on an average price support level of 75 cents per pound, one cent per pound higher than the 1985 average support level.

U.S. Tobacco Industry Purchases in 1986--U.S. cigarette manufacturers purchased 347.9 million pounds of farm sales weight flue-cured tobacco during the July 1, 1986 through June 30, 1987 period (excluding pre-1985 loan stocks).

FRUITS AND VEGETABLES

Cranberry Marketing Order--Cranberry growers in Massachusetts, Rhode Island, Connecticut, New Jersey, Wisconsin, Michigan, Minnesota, Oregon, Washington, and Long Island, New York voted overwhelmingly to continue their federal marketing order. The growers vote on such a referendum every 4 years.

Fresh Fruit and Vegetable Research-- USDA earmarked \$1.5 million for research on preserving quality in salad-bar-style fruits and vegetables, including alternatives to sulfites. This research is important because of the restrictions on sulfites, which were the main preservatives for lightly processed foods.

Bunch Spinach Grade Standards--USDA set standards for the quality of fresh bunch spinach. The new standards establish two grades, U.S. No. 1 and U.S. No. 2, with the difference being chiefly appearance. No. 2 permits a few more defects, such as discoloration, seed stems, and damage to the leaves.

Valencia Orange Marketing Order--USDA appeals an administrative law judge's decision that invalidated the August 1984 amendment to the federal marketing order for Valencia oranges. The amended referendum order had been issued in connection to a formal rulemaking proceeding to amend the California-Arizona Valencia orange marketing order.

SUGAR AND SWEETENERS

Loan Rates and Market Stabilization Price for Sugar--The national, weighted average, price support loan rate for the 1987 domestically grown sugar crop will be 18.0 cents per pound for raw cane sugar and 21.16 cents per pound for refined beet sugar. Both rates will be adjusted to reflect the processing location and quality of sugar. The regional loan rate and minimum support levels will be announced in a Notice of Determination in the Federal Register.

The fiscal 1988 market stabilization price for raw cane sugar will be 21.76 cents per pound, raw value. The new price is down slightly for 1987's level of 21.78 cents. The new market stabilization price is the sum of the price support loan rate for fiscal 1988 (18 cents per pound), the adjusted average transportation costs for shipping raw cane sugar (2.96 cents per pound), interest costs of repaying a sugar price support loan at full maturity (.60 cent per pound) plus two-tenths of a cent per pound.

LIVESTOCK

Turkey Disease--Six firms have been issued licenses to make and sell a patented USDA vaccine against a disease that strikes turkeys five to 10 weeks old. The vaccine is the first to be federally licensed for use against hemorrhagic enteritis, which is caused by a virus that weakens a turkey's immune system and may kill up to 20 percent of a producer's young turkeys.

Public Symposium on Egg Pricing--USDA held a one-day symposium on egg pricing September 2 at its headquarters in Washington. Symposium participants from industry, government and the academic community provided an overview of how to gather shell egg prices for public and private use.

Egg Marketing Order Fails--A proposed egg marketing order was turned down by fifty-seven percent of the 1,106 producers who voted in a recent referendum on July 10. The order would have established a national board appointed by the Secretary of Agriculture to administer egg research, promotion, and consumer information activities.

USDA Adopts "SELECT" Beef Grade Name--The beef grade "USDA Good" will be renamed "USDA Select" effective November 23. The new name "Select" provides a

more positive image for this grade of beef and will help calorie-conscious consumers to choose leaner cuts of meat.

Voluntary Restraints to keep Meat Imports Below 1987 Trigger--U.S. meat imports for calendar year 1987 are projected at 1,439 million pounds -- 1 million pounds below the level that would require quotas on imports. The United States will not have to impose the quota because Australia and New Zealand, the two largest suppliers of imported meats, have agreed to limit their meat exports to the United States for the rest of the year.

Losses Predicted for U.S. Livestock Producers--U.S. producers who use growth-promoting implants in livestock will lose their \$930 million share of the world export market for beef if the European Economic Community and other countries ban the implants.

DAIRY

Dairy Prices Rising As Surplus Curbed--The balance between milk production and commercial use during the second half of 1987 were expected to be tighter than a year ago, as sales grew and--at least through summer--output stayed below last year. However, early summer stocks (both in and outside of warehouses) may total above a year ago. Second-half price rises may be near, or somewhat below, a year earlier. But slightly tighter conditions than now expected could generate much larger price jumps, because of low commercial cheese stocks.

Milk Price Support--Effective October 1, the price support for milk will be \$11.10 per hundredweight, a reduction of 25 cents. The 25-cent-per-hundredweight assessment on dairy producers for milk they market for commercial use will no longer be imposed after September 30. The \$11.10 support price is for milk with a milkfat content of 3.67 percent--the national average--and compares with \$10.82-per-hundredweight for milk with a milkfat content of 3.5 percent. The price support program for milk is carried out through Commodity Credit Corporation purchases of butter, cheese and nonfat dry milk. As a result of the reduction in the support price for milk, purchase prices of both butter and nonfat dry milk will be reduced 2 cents per pound and purchase prices of cheese will be reduced 2-1/2 cents per pound. The new purchase prices, per pound, will be \$1.3575 for butter, \$0.7675 for nonfat dry milk, \$1.20 for block Cheddar cheese and \$1.1575 for barrel cheese.

Dairy Termination Program (DTP)--The cumulative total of cattle slaughtered under the program from April 1, 1986 through October 10, 1987 was an estimated 1,224,100 head. The purchases of meat in addition to normal purchases are to help offset the effects of the DTP on the domestic meat market. Cumulative purchases through October 24 total 442,430,160 pounds.

Dairy cattle reported for export under the program for the period April 1, 1986 through October 24, 1987 totaled an estimated 65,860 head. Live cattle exports are in addition to meat purchase requirements.

PEST CONTROL

Tuberculosis Regulations--The USDA is proposing to amend indemnity and interstate movement regulations relating to bovine tuberculosis so that they

apply to bison as well as cattle. Amending the regulations would increase the number of bison owners eligible to receive federal indemnity for bison destroyed because of the disease, thereby encouraging their prompt action to rid their herds of tuberculosis. The amendments would also restrict the interstate movement of bison that are exposed to TB, reacted to tests, or are otherwise suspected of having the disease or are from herds containing suspect animals.

Pink Bollworm Quarantine--USDA removed restrictions on interstate movement of some cotton by-products since they are no longer suspected of harboring and transporting pink bollworms. The cotton by-products removed from the restricted list are cottonseed hulls; cotton lint, linter and lint cleaner waste from upland cotton varieties; and cotton waste produced at cotton textile mills.

Pest-Free Areas in Exporting Countries--USDA changed its fruit and vegetable import regulations to specify how certain areas in foreign countries infested with plant pests may be designated pest free. Fruits and vegetables may be imported into the United States if they come either from countries not infested by plant pests or from areas within infested countries designated pest free, or if they are treated to destroy the pests. Under the new regulations, an area can be designated pest free only if it contains no evidence of insects injurious to fruits and vegetables. The countries must conduct surveys for pests in the designated areas to establish quarantine safeguards to prevent the spread of infestations from other, non pest free areas. USDA will monitor both the surveys and the safeguards.

FINANCE

Commodity Credit Corporation Payments Resume--With the signing into law of the supplemental appropriation bill on July 11, the Commodity Credit Corporation (CCC) payments resumed. (Payments had been suspended on May 1, due to a lack of appropriated funds.) The bill appropriated an additional \$5.5 billion for the CCC. Payments resumed for all CCC activities, including commodity loans and purchases, warehouse and producer storage payments, deficiency and diversion payments, dairy price support purchases, dairy termination program payments, and conservation reserve cost-share payments.

Commodity Certificates for 1986 Disasters--The CCC issued \$162 million in commodity certificates to compensate producers for losses due to the 1986 drought. This was in addition to about \$398 million in certificates issued as disaster payments in February for losses. Over \$137 million went to producers who received partial disaster payments for their losses.

Interest on Late Payments--The CCC paid interest on late payments it made to contractors who have provided it with property and services. Interest payments are calculated based on the time from when the payment was due until it was actually made.

Rural Development Loans--USDA will sell about \$1.9 billion in loans from the Farmers Home Administration's rural development fund in its first major sale of assets under the administration's Credit Management Improvement Program. The loans were sold to the Community Program Trust Fund 1987A, which will in turn sell bonds backed by the loan assets to the investment community. The

loans sold consisted mostly of water and sewer loans. Sales closed mid-September.

FmHA Sale Of Rural Housing Loans--The Farmers Home Administration's (FmHA) rural housing loans, a part of the FmHA's Credit Management Improvement Program, were sold to the Rural Housing Trust 1987-1. It in turn will sell about \$2.4 billion of securities secured by the loans to investors.

INTERNATIONAL

U.S. Agricultural Export Forecast Raised Slightly--The agricultural export forecast for fiscal 1987 raised to \$28 million and 129 million tons. This is a \$500 million increase from May's forecast. Grains accounted for virtually all of the expected increase as lower U.S. prices and competitors supplies, and the Export Enhancement Program increase the U.S. share of world grain trade. However, with lower prices offsetting virtually all the expected volume gains in grain, increased livestock, horticultural, and cotton exports account for most of fiscal 1987's gain in value. U.S. high-valued exports have benefited from a weaker dollar and export promotion activities under the Targeted Export Assistance Program.

Barter Program for Oil--Agriculture and Energy Departments agreed to pursue opportunities to trade surplus agricultural commodities for crude oil for the Strategic Petroleum Reserve. The agreement is the first step toward implementing the barter provisions of the Food Security Act of 1985. The act directs the Secretary of Agriculture to establish and carry out a pilot barter program for the acquisition of strategic or other materials in exchange for commodities owned by the Commodity Credit Corporation.

The departments have identified countries that produce the crude oil that meets Strategic Petroleum Reserve specification and that are experiencing food and currency reserve shortages. USDA and DOE are currently evaluating possible barter proposals.

Public Law 480 Allocations Revised--USDA plans to provide \$826 million for commodity shipment distributions under the Food for Peace--Titles I and III of PL-480, during fiscal 1987. Allocations increased for Bangladesh, Guatemala, Guyana, Senegal, Sierra Leone, Sudan, Yemen, and Zaire. Allocations decreased for Haiti, Somalia, and Zambia. Maldives is a new recipient of allocations. In addition, soybeans have been added as a new commodity for Jamaica, and minor quantity changes were made in some countries. These allocations are not final U.S. commitments except for agreements already signed.

Export Enhancement Program (EEP)--In the last 6 months, USDA had several sales opportunities to various countries under the Export Enhancement Program. Export sales are made at competitive world prices, subsidized with CCC commodities. The following offers were made:

<u>Country</u>	<u>Country</u>	<u>Quantity</u>
Yemen	Wheat flour	100,000 metric tons
Algeria	Durum wheat	300,000 metric tons

Iraq	Frozen poultry	10,000 metric tons
	Barley	150,000 metric tons
Philippines	Wheat	500,000 metric tons
Bangladesh	Wheat	550,000 metric tons
Morocco	Wheat	500,000 metric tons
Tunisia	Vegetable oil	60,000 metric tons
Saudi Arabia	Barley	500,000 metric tons
	Dairy cattle	2,000 head
Indonesia	Dairy cattle	16,000 head
Turkey	Dairy cattle	5,000 head
Israel	Wheat	200,000 metric tons
	Barley	200,000 metric tons
Benin, Cameroon, Ivory Coast, Ghana, and Togo	Wheat	170,000 metric tons
Zaire	Wheat	80,000 metric tons
Senegal	Wheat	110,000 metric tons
Singapore	Frozen poultry	2,000 head
China	Wheat	1 million metric tons
Sri Lanka	Wheat	240,000 metric tons
Poland	Wheat	500,000 metric tons

Many of these countries have already made purchases under the EEP. Also during this time, four initiatives were withdrawn, due to lack of sales. They were: wheat flour and eggs to Algeria, wheat flour to The Philippines, and semolina to Egypt.

Dairy Export Incentive Program (DEIP)-- Countries now considered eligible under DEIP include India and Yugoslavia. The program helps promote exports of U.S. dairy products by enabling exporters to meet prevailing world prices for specified dairy products in targeting countries. These sales are subsidized with CCC dairy stocks.

Mexico received the last of 200 million pounds of red meat mandated for export by the 1985 Farm Bill.

Targeted Export Assistance (TEA)--USDA announced 34 projects will receive \$80 million allocated for fiscal year 1988. Additional TEA allocations may be announced later depending on the outcome of the fiscal year 1988 budget. The TEA program uses surplus stocks from the CCC to help American producers

finance promotional activities for U.S. agricultural products to counter or offset adverse effects of unfair foreign trade practices.

Private Export Sales--Exporters are required to report to USDA export sales of agricultural commodities. During the past 6 months, the major private export sales included: USSR--hard red winter wheat, Saudi Arabia--barley, Pakistan--soybean oil, Mexico--corn, South Korea--corn, as well as other sales to unknown countries of red winter wheat.

NATURAL RESOURCES

Final Ruling for Conservation Provisions--Under the conservation provisions of the 1985 Farm Bill, farmers can retain eligibility for USDA program benefits by installing a conservation plan on highly erodible cropland and by not converting wetlands. The final rules, clarifying definitions of highly erodible land, wetland, and converted wetland, are published in the September 16 Federal Register. They also say that although plowing alfalfa, legumes or other grasses in a crop rotation is considered sodbusting, the rotation may be an acceptable conservation system. However, farmers need to have the rotation approved by the local conservation district before plowing. Also, certain crop acreage bases may now be exchanged for high residue crops if called for in an approved soil conservation plan.

USDA Assign Water Quality Coordinators to EPA--Water quality coordinators from the Soil Conservation Service have been assigned to regional offices of EPA. The coordinators will advise EPA on ways American farmers, ranchers, and other land users can address water quality issues.

Conservation Reserve Sign-ups--The fifth sign-up for farmers who want to enter highly erodible cropland into USDA's 10-year Conservation Reserve Program was for July 20-31. Farmers bid 5.9 million acres during this sign-up period, of which 5.3 million acres were accepted into the program. This brings total CRP acreage to 23 million acres. The sixth sign-up is scheduled for February 1-19.

Conservation Reserve Program (CRP) Participants Due Payments--Beginning October 1, USDA will issue about \$778 million in generic commodity certificates as payments to producers participating in the Conservation Reserve Program. The certificates are annual rental payments on contracts producers signed in fiscal year 1986 and fiscal year 1987 to place cropland in the CRP. For the 1986 cropyear, producers will receive \$88 million for about 2 million acres, and for the 1987 cropyear, they will receive \$690 million for 14 million acres.

Conservation Reserve Program Reduces Erosion--About 467 million tons of soil annually has been kept on nearly 23 million acres of land contracted in the CRP so far. This represents about 16 percent of all of the soil erosion that occurs annually on the nation's cultivated cropland. When the program goal of reserving 40-45 million acres of highly erodible land is met in 1990, the program should reduce erosion on all cultivated cropland by 25 percent.

RURAL DEVELOPMENT

Rural Information Center--USDA inaugurated the new Rural Information Center September 3. The center is a joint service of the Extension Service and the National Agricultural Library. It will serve as an information source for local government officials working to maintain the vitality of America's rural areas. It will supply information on maintaining a competitive rural economy, local efforts to deal with structural change, the natural resource base, and rural services, facilities, and support.

DEPARTMENTAL ACTIONS

Small Business Innovative Research--About \$3.5 million will be available for small business innovative research grants in fiscal 1988. Application for the grants, administered by the Cooperative State Research Service were due October 1. Any business of fewer than 500 employees that is involved in scientific or technological research in one of six areas could apply for funding of up to \$50,000 for a 6-month feasibility study. Firms that received and completed a 6-month grant could apply and compete for another grant of up to \$250,000 for further development of the research for up to 24 months. The six areas of research were: forest and related resources; plant production and protection; animal production and protection; air, water, and soils; food science and nutrition; and rural and community development.

USDA Outlook Conference--Outlook '88, USDA's 64th annual agricultural outlook conference, took place December 1-3 in Washington, D.C. The conference provided an in-depth analysis of commodity prospects that farmers and businesses could use to plan for 1988.

AGRICULTURAL AND FOOD POLICY UPDATE: LEGISLATION

by Susan L. Pollack*

125th Anniversary of the United States Department of Agriculture (P.L. 100-46) was signed into law by the President on May 29. The law was a joint resolution to recognize the accomplishments and commend the outstanding contributions of USDA on its 125th anniversary.

Supplemental Appropriations Act, 1987; Urgent Relief for the Homeless Supplemental Appropriation Act of 1987 (P.L. 100-71) was signed on August 11. The law provided \$5.5 billion for the Commodity Credit Corporation. It also appropriated \$160 million to carry out disaster assistance programs specified in the Farm Disaster Assistance Act passed in May, 1987. Another \$10 million was provided for 3 agricultural studies.

Stewart B. McKinney Homeless Assistance Act (P.L. 100-77) was signed July 22. The law provides for housing and food assistance and for job training for the homeless.

Competitive Banking Act of 1987; Competitive Equality Amendments of 1987; Federal Savings and Loans Insurance Corporation Recapitalization Act of 1987; Thrift Industry Recovery Act; Financial Institutions Emergency Acquisitions Amendment of 1987; Expedited Funds Availability Act; Credit Union Amendments of 1987 (P.L. 100-86) was signed August 16. Included in this law is a provision for loan loss amortization for agricultural banks. Losses which were required to appear on the banks' annual financial statements for any year between December 31, 1983 and January 1, 1992 may be amortized on their financial statements over a 7 year period.

Farm Disaster Assistance Act of 1987, Amendment (P.L. 100-100) was signed on August 18. This law amended the Farm Disaster Assistance Act to extend the reporting date for ethanol cost effectiveness study for another 90 days.

Uniform Cotton Classing Fees Act of 1987 (P.L. 100-108) was signed on August 20. The law provides continuing authority to the Secretary of Agriculture for recovering costs associated with cotton classing services and for a study on processing certain cotton grades to be completed by October 1, 1988.

Water Resources Development Act of 1986, Amendment (P.L. 100-109) was signed August 20. The law amends the Water Resources Development Act of 1986 relating to the level of flood protection provided by the flood control project for Lock Haven, Pennsylvania.

Conveyance of Mineral and Reversionary Interests in Certain Lands, Putnum County, Florida, Provisions (P.L. 100-133) was signed October 13. Under this law, the Secretary of Agriculture is to remove certain restrictions on certain land in Putnum County, Florida as long as the land is used for public purposes. Also the Secretary of Interior is to convey mineral rights to this land to the State of Florida.

* The author is an agricultural economist with the U.S. Agricultural Policy Branch, ATAD, ERS.

Fishermen's Protective Act, Reauthorization (P.L. 100-151) was signed November 3. The law extends until October 1, 1988 restrictions on documenting foreign-built fish processing vessels. It also expanded the setting aside of surplus vessels for health and humanitarian services to all, not just peoples of developing countries. This part of the law is extended until October 22, 1989.

Continuing Appropriations for Fiscal 1988 (P.L. 100-202) was signed December 22. This law made further continuing appropriations for fiscal 1988, and other purposes.

Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) was signed December 22. This law contained fiscal 1988 budgets for all Federal Departments.

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Request a copy of this paper from the author, 325 James Hall, RECD, U. N. H., Durham, NH 03824.

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Request copies of above books (cost now reduced to \$5, \$8, and \$3 respectively plus \$1.50 postage for each order) from National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street N.W., Washington, D.C. 20036.

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